FINANCIAL TIMES

No. 27,572 Wednesday May 31 1978 *15p

CONTINENTAL SELLING PRICES: AUSTRIA Sch.15; BELGIUM Fr.25; DENMARK Kr.3.5; FRANCE Fr.3.0; GERMANY DM2.0; ITALY L.500; NETHERLANDS Fl.2.0; NORWAY Kr.3.5; PORTUGAL Esc.20; SPAIN Pts.40; SWEDEN Kr.3.25; SWITZERLAND Fr.2.0; EIRE 15p

NEWS SUMMARY

GENERAL

Peace move hint by Sadat

President Sadat of Egypt has hinted strongly that he may make another dramatic move *for peace in the Middle East* should his present initiative end in failure.

Mr. Sadat, having chided foreign correspondents for their "distorted" reporting of recent events within Egypt, added that he hoped for a "surprise" on July 23, the anniversary of the 1952 revolution.

The President said he would not want an Arab summit within the next two months. "In those two months we will reach a result—either the peace momentum will resume or it will prove to be a failure," **Page 6**

PR system in Rhodesia

Rhodesia's transitional government announced that a system of proportional representation based on "party lists" will be used in the country's first one man-one vote election this year.

The executive council said it had opted for the system in order to speed up the electoral process "as it does not wish to depart from the faith expressed by all signatories to the internal agreement which provides for independence to be achieved by December 31, 1978." **Page 6**

Refinery blaze

Four people died in a series of explosions at an oil refinery in Texas City, Texas, and part of the town—population 40,000—had to be evacuated. **Page 4**

In Iran, an oilwell fire which started a week ago and in which seven people died, is still out of control. **Page 6**

Tanker blasted

The 26-day saga of the *Eleni V* pollution threat ended yesterday when the Greek tanker's bow section was blown up 26 miles off the East Anglian coast. **Page 8**

'Bionic' Joanne

Joanne Brennan, aged 3, is the first British child to be fitted with a "bionic" hand. Joanne, of Finsbury, North London, was born without a right hand and had the new one fitted in Sweden, after friends and neighbours raised more than £3,000 towards the cost.

Opera arrests

Italian police have arrested Giancarlo Tommasi, artistic director of the Rome Opera House and 11 other theatrical people on charges alleging extortion of money from State enterprises, fraud and corruption.

Dublin escape

Police are hunting two men who escaped by rope ladder from a Dublin mental hospital helped by two armed accomplices. One of the escapers, Phillip Foy, was said to be a minor member of the IRA.

Water shortage

There were water shortages in parts of Devon and Cornwall because of heavy demand brought about by the huge influx of visitors over the weekend. They appeared disinclined to go home and the holiday extended into Tuesday with thousands still on the beaches. **Page 8**

Briefly . . .

Former England rugby player Mr. Larry Webb, his wife, daughter and a friend are feared dead in a helicopter which went missing in thick fog over the Channel.

King Juan Carlos of Spain will next month become the first monarch to visit Communist China.

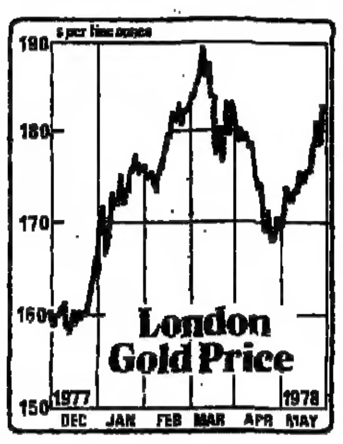
Publisher Robert Maxwell has failed to make the shortlist in the search for a Labour candidate at Northampton South. **Page 10**

The RAF was called in to ferry firemen to the Borrowdale Valley in the Lake District where an extensive forest fire was raging.

BUSINESS

Gold up $3 as silver jumps

● **GOLD rose $3 to $182¼ following the sharp rise of silver. *The London bullion market spot* quotation was up 7.45p to 295.2p a troy ounce. LME prices closed 8.85p up at 296.55p and three months was 9.3p up at 303.85p. The krugerrand's premium over**



its gold content rose to a common level of 3.07 per cent. from 2.57 per cent for domestic delivery and 2.43 per cent in the international market. The New York Comex May Settlement price was 183.9

● **STERLING rose 60 points to $1.8185, its trade-weighted index remaining at 61.4. The dollar was weaker in quiet trading, influenced by the closure of New York banks for Memorial Day.**

● **EQUITIES drifted lower in weak demand. The FT 30-share index closed 3.6 down at 472.5.**

● **GILTS were unsettled by the authorities' lack of moves to alleviate market fears about future monetary policy. The Government Securities index fell 0.18 to a 1978 low of 69.92.**

● **WALL STREET closed 2.51 up at 834.20.**

Air terminal warning

● **BRITISH** Airports Authority chairman Mr. Norman Payne warned that many prospective air passengers *to London would* go elsewhere if the proposed fourth air terminal at Heathrow is rejected. The UK aerospace industry is collaborating with McDonnell Douglas of the U.S. on research into making jet engines quieter. **Page 10**

● **ICI's £200m plan to develop a chemicals complex in northern Germany has been approved. The company will also take over Alusuisse Atlantik, a chemicals producer at the Wilhelmshaven site. Back Page.**

● **NEB** plan to become world leader in the semi-conductor is a blow to the General Electric Company, on the point of a major decision about production of semi-conductors. **Back and Page 8**

● **BANK OF ENGLAND has issued dismissal notices to 500 members of the Society of Graphical and Allied Trades in a dispute at its Loughton, Essex works. Page 10**

COMPANIES

● **KUALA LUMPUR** Kepong, the Malaysian plantation group, says there is an even chance that it might be able to repeat last year's record pre-tax profits of about £9.5m. **Page 37**

● **CHLORIDE OLDHAM,** controlled by Chloride UK, increased turnover by 8 per cent over the year to March 31. **Page 37**

● **NISSAN MOTOR, manufacturers of Datsun cars, suffered a substantial reverse in profits for the year ended March 30, despite an 11 per cent rise in sales. Page 37**

● **MAX FACTOR** and Co. president and chief executive Mr. Samuel Kalish is to step down on July 1. Norton Simon, the parent company, is disappointed with Max Factor's U.S. earnings. **Page 35**

Carter backs move by West to curb Russia in Africa

BY REGINALD DALE: WASHINGTON, May 30

President Carter today threw his weight behind plans for a co-ordinated Western response to Soviet and Cuban intervention in Africa. NATO could not remain indifferent to Moscow's activities, he told the opening session of the alliance's two-day spring summit meeting here.

Mr. Carter welcomed the recent Franco-Belgian mission in Zaire and all efforts by individual NATO countries "to work for peace in Africa and support nations and peoples in need." Allied vigilance could not be *restricted to Continental Europe*, he said.

His remarks came against a background of intensified Western consultation on how to protect African governments from external subversion. After discussions with the French, West German and Belgian Governments, the State Department today said the U.S. was ready to assist in a limited manner in the formation of an African peacekeeping force for Zaire.

Washington also would be prepared to discuss the broader aspects of African security at a meeting with interested states, in Paris next week, according to Mr. Hodding Carter, of the State Department. He emphasised that the U.S. would not provide combat troops and implied that it was up to other countries to take the lead.

The Paris meeting is to be attended by officials from the U.S., UK, France, West Germany and Belgium. Its purpose apparently is to prepare *for a 10-nation meeting in* Brussels on June 13 and 14 to discuss economic aid for Zaire. But there is also to be a wider *discussion of the security lessons* to be learned from the recent invasion of the country's Shaba province.

Officials here stress that there *is as yet no blueprint for* Western action in Africa, nor are the Allies intending to extend formally Nato's traditional area of operations — Europe, the Mediterranean and the north Atlantic. It was confirmed that President Carter and President Valery Giscard d'Estaing, of France, agreed at a meeting here last week that France and the U.S. would help

Brzezinski challenged, Page 4
Extra flights for Zaire Europeans, Page 6

and support African countries if they put together some "operative arrangements" to defend themselves. American support probably would be limited to the kind of transport and fuelling facilities provided for the Zaire operation.

Countries which have expressed interest in providing troops for an African force include Morocco, Senegal, Ivory Coast and Gabon, according to officials here. Ideally, the West *would like to persuade an important English-speaking country* such as Nigeria to participate and diplomatic approaches are to be made to Angola and Zambia in the hope of at least securing their neutrality.

In today's speech, President Carter called for renewed efforts *from all NATO countries to meet* new military challenges from the east. The Soviet Union and other Warsaw Pact countries posed a military threat which far exceeded their legitimate security needs.

"Today we can meet that military challenge. But we cannot be sure of countering the future military threat unless our alliance modernises its forces and adds additional military might." The U.S. would step up its conventional and tactical nuclear forces in western Europe *and maintain strategic nuclear* equivalents with the Soviet Union.

At the same time, President Carter said the U.S. would pursue attempts to negotiate a new agreement in the Strategic Arms Limitation Talks with Russian, in consultation with America's allies.

Mr. James Callaghan proposed that the Vienna talks on the mutual reduction of force levels in central Europe should be convened at Foreign Minister level "as soon as there has been

Continued on Back Page

OECD nations in disarray over economic growth

BY ROBERT MAUTHNER PARIS, May 30.

WESTERN industrialised countries failed to agree today on proposals for a concerted growth strategy tabled by the Organisation for Economic Co-operation and Development Secretariat, in spite of the pessimistic outlook for the world economy.

The inconclusive outcome of the OECD's economic policy committee, on which the 24 member countries are represented by senior officials, casts a shadow over the Western economic summit due to be held in Bonn in July.

It was originally hoped that the OECD countries could come up with detailed proposals specifying the amount of stimulus to domestic demand required in six of the leading economies to set the western world on a medium-term growth path of 4.5 per cent. This, it was calculated, was enough to prevent a further rise in unemployment.

Yet such a prospect now appears to be out of the question. Given today's disagreement, the OECD secretariat will find it difficult, if not impossible, to table quantitative proposals at the organisation's ministerial meeting on June 14 and 15.

Nor does it seem likely that details can be worked out by officials in time for the economic summit a month later.

JAPAN'S EXPORTS to the EEC rose by 16.9 per cent. to $3.119bn in the first four months of this year, while her imports from the EEC rose by 37 per cent. to $1.745bn. West Germany's trade and current account surplus in the same period this year was DM 11.9bn (DM 11.8bn last year).
Details and EEC energy talks break down, Back Page

Although most member countries continue to support the principle of a concerted growth strategy, under which not only the strongest economies, except the U.S., but the so-called "convalescent" economies like the UK, France, Italy and Canada would take expansionary action, many of them object to having precise targets imposed on them by the OECD.

This is particularly true of the West Germans and Japanese, upon whom most of the onus for expansionary measures would lie.

The secretariat's model required Japan to stimulate domestic demand by 1.5-1.75 per cent and West Germany by 0.75 to 1.00 per cent of GNP, France and Italy by 0.25-0.5 per cent and the UK and Canada by a maximum of 0.25 per cent. The U.S., mainly because of its continuing balance of payments problems, was not asked to do anything.

The secretariat's experts claimed such moves would increase growth in the OECD area as a whole by 1.25 per cent by the middle of next year.

Editorial Comment, Page 20

Car leasing tax test case

BY ANDREW TAYLOR

THE CAR leasing industry could shortly face another crucial tax test case following moves against Harold Perry, the Ford main dealers, by the Inland Revenue.

At question is the motor dealers' rights under the 1971 Finance Act to claim full tax relief against the purchase of a car for leasing, in a single year—previously dealers had only been able to claim at an annual rate of 25 per cent.

Since 1975, when Godfrey Davis and Ford Credit won two controversial test cases against the Inland Revenue, a multitude of car leasing companies—operating a wide variety of schemes—have been taking advantage of the 100 per cent write down allowance.

More recently, however, the Inland Revenue has been indicating its dissatisfaction with a number of car leasing companies claiming the favourable tax status and Harold Perry last night revealed that the Revenue had indicated that it intends to resist the group's claim for "first year allowances in respect of passenger cars leased to customers" in 1977.

Mr. Roger Hoare, assistant group managing director, said that Perry's had been claiming the first year 100 per cent write down allowance since 1975. This had not been queried by the Inland Revenue until the publication of the latest report and accounts covering the year ending December 31, 1977.

This showed a tax charge of £210,000 and Perry's said yesterday that if the Inland Revenue's case prevailed then the tax charge was unlikely to be increased above £460,000.

Mr. Hoare said that the group had not treated the write-down allowance any differently in the latest accounts. The group had taken legal advice and had been advised that the Revenue's case was unlikely to succeed.

Neither party involved in the dispute would give the reasons behind the Revenue's opposition to Perry's tax claim against its leasing business.

The group had decided to make the issue public ahead of its AGM due to be held tomorrow. Mr. J. F. Macgregor, the chairman, commenting on the current year's trading, said that profits in the first half would be substantially above budget and the corresponding performance in *the first half last year*.

Lex, Back Page

Talks on mortgage rates tomorrow

By Michael Cassell, Building Correspondent

THE CHANCES of an early increase in building society interest rates are likely to hinge on the outcome of a meeting *tomorrow between the* societies and Government officials.

The Building Societies Association Council meets next week to consider the first increase in rates since October, 1976. Its decision will be heavily influenced by tomorrow's session of the Joint Advisory Council, which brings *together the societies and* officials from the Department of the Environment and the Treasury.

There seems little doubt that, left to themselves, the societies would be contemplating an increase of about 1 per cent in both investors' and borrowers' rates.

Mortgage rate now stands at 8½ per cent while ordinary investors receive 5½ per cent net on their savings.

Next week's council meeting will be provided with figures to show that net *receipts* in May fell to about £220m. against £335m. in the previous month and the record £590m. in October 1977. Receipts in June are expected to drop as low as £150m.

The societies, however, are committed to maintaining a high lending programme over the next few months, in spite of the 10 per cent reduction in mortgage quotas asked for by the Government in April.

Although new mortgage *commitments — excluding advances* for items such as improvement work—have now fallen to around £600m a month from the March total of about £720m, the societies are still having to draw on liquid funds to maintain lending levels.

Average liquidity levels are high enough to allow this to continue for some months, but the societies will not want to continue to run them down if they believe that they are merely delaying an increase in their own rates made inevitable by general interest rate trends.

Whether or not their rates do increase, however, will *depend largely on the attitudes* they encounter at tomorrow's meeting. Ministers might feel that, if a mortgage rate increase is inevitable, it would be best for societies to get it out of the way at once, rather than be postponed by the continuing use of liquid funds.

There have been suggestions *that the Government could call* off the current lending restrictions, unpopular among the societies, in return for a decision to hold rates down.

Oil groups may boycott new licences

BY RAY DAFTER, ENERGY CORRESPONDENT

A NUMBER of big oil companies may boycott the next round of offshore exploration licences unless the Government makes the conditions more attractive.

This warning is implicit in a report from the offshore oil industry being studied by Department of Energy officials. It states that draft terms for the proposed sixth round of exploration licences are too onerous and that they conflict with previous Government undertakings to the industry.

Some international oil groups also have made it known that they may not bother to bid for new acreage if the Government sticks to its published conditions and fails to offer attractive exploration blocks.

So far, the department has kept secret the location of the 40 sixth-round blocks to be offered this summer. These will provide the acid test of the industry's feelings about exploration conditions on the UK Continental shelf.

Warning

The UK Offshore Operators' Association, which represents the main groups in the North Sea, has criticised most of the proposed new licensing conditions, described by Mr. Anthony Wedgwood Benn, Energy Secretary, as a means of strengthening British control over its offshore oil resources.

The association's report has not been published but it is thought to question the wisdom of offering such a small number of blocks. Companies have told the Government that the pace of exploration needs to be stepped up if energy self-sufficiency is to be maintained into the 1990s.

The warning coincides with new Government figures which show that the North Sea is contributing more than half of Britain's oil needs. Crude oil production in April reached a record 951,342 barrels a day average, about 100,000 b/d more than in March. Total crude oil production during April was 3.9m tonnes, an increase of 306,121 tonnes on the previous month.

However, the association apparently has told Mr. Benn that his proposed sixth-round conditions will cause uncertainty and confusion among exploration groups. Oil companies probably will be invited to offer British National Oil Corporation a higher stake in licence partnerships than the 51 per cent laid down in the last licence round. Furthermore, companies are likely to be asked to pay for some of the State corporation's exploration expenses.

It is claimed within the industry that these conditions not only lessen the attractiveness of commercial licences but they make it difficult for the Government to evaluate one bid against another. The options are to be treated like an auction: companies will be expected to bid the amount to which they would be willing to accept the corporation's involvement and expenses.

Because Mr. Benn sees these conditions as a cornerstone of his new licensing policies, it is likely that he will offer at least a proportion of the more promising oil exploration areas in an attempt to promote keen competition among offshore groups.

The association claims that Mr. Benn has gone back on assurances given by himself and previous Energy Ministers that the corporation would operate under normal commercial criteria without special advantages and that the Government would not seek more than a 51 per cent State participation in the North Sea.

According to industry sources the association has opposed particularly strongly a move to make the corporation the operator for the exploration phase in six of the blocks. The selection of these blocks will be made only after applications have been received from the private oil sector.

A move designed to encourage involvement of smaller independent companies has been questioned by the association. The department has proposed that the oil industry should have the option of changing operating companies within licence groups when exploration work is replaced by a development project. The association apparently has suggested that the operator for exploration and development stages should be designated at the outset.

Other points which are known to have caused concern within the industry include a proposal to increase licence application fees and rentals by 25 per cent. The association has protested that this would contravene the Government's policies on pay and prices restraint.

The plan—introduced for fifth-round licences—to make offshore groups relinquish up to two-thirds of their exploration acreage is seen to be restrictive, particularly in a small round featuring many one-block licences. Companies are concerned that they will be forced to hand back to Government acreage known to contain an oil-bearing structure.

They have complained that the proposal to base royalty payments on the tax value of oil, rather than on the well-head value of oil as in some of the earlier rounds, will add to the taxation burden, particularly on some of the smaller fields.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

...n Motor	131	+ 6
...oft	66	+ 9
...holson	57	+ 4
	25	+ 3
...obbins	95	+ 6
	45	+ 4
	166	+ 8
	[illegible]	+ 11
	[illegible]	+ 15
Guthrie	315	+ 10
Longbourne	325	+ 10
Anglo Utd. Devs.	138	+ 25
East Drie.	724	+ 16
Kloof	523	+ 13
Mid-East Minerals	52	+ 12
Northgate	390	+ 40
Roan Cons. Mines	80	+ 5
West Drie.	£21¾	+ ¾
Westfield Minerals	96	+ 12

FALLS

Barclays Bank	330	− 5
English Property	44	− 4
Matthews Wrightson	165xd	− 6
Rockware	126	− 6
Swan Hunter	132	− 12
Thomson	242	− 8
...ube Invs.	374	− 4

CONTENTS OF TO-DAY'S ISSUE

Shipyards call for increased State aid

By Our Own Correspondent

PARIS, May 30.

FRENCH shipbuilders have told the Government that unless it increases its subsidies to the industry the country's "modern and high performance" yards will virtually cease to exist.

The shipbuilding federation, in its latest report, claims that the aid it receives is substantially below that made available to competitors. In France the aid was normally around 15 per cent of the cost price of the ship, whereas in most other European countries it reached 30 per cent, and in the U.S. 50 per cent. The Dutch government absorbed threequarters of shipbuilding losses, the federation claims.

In addition, Germany, Holland and Norway made special credit facilities available to Third World countries.

The federation wants the Government to place orders with yards for naval vessels, tugs, dredgers and coastguard vessels to help take up the slack, warning that 30,000 jobs depended directly on the yards, as well as 50,000 jobs among suppliers.

For the third year in a row, orders booked last year were equivalent to no more than 4 per cent of the tonnage delivered. This compares with an ordering level in the world as a whole equivalent to 42 per cent of deliveries.

The current French order book of 1.635m tonnes compares with a level of more than 6m tonnes in 1975. Orders totalled a mere 19,000 tonnes in 1976 and only 15,000 tonnes last year, while no foreign order has been placed for three years and even French shipping companies have placed more orders outside France than with French yards.

Practically all the ships on order at the present will be launched over the next couple of years, leaving a very bleak horizon for the 1980s.

The Government has already indicated that it is not willing to spend more than its present Frs. 1.5bn a year on subsidies.

Increase in French retail prices accelerates in April

BY DAVID CURRY

PARIS, May 30.

RETAIL PRICES in France suffered the sharpest monthly rise for a year in April, and it seems likely that 1978 will see the return of double figure inflation.

The year-to-year increase is running at 9 per cent, and the next few months will be a period of sharp prices rises reflecting the imposition of higher tariffs in the public sector and the progressive liberation of industrial prices.

Ironically, the first batch of prices to be freed was announced this morning by the Economy Minister M. Rene Monory who announced the Government's intention to set industrial prices completely free from control by mid-October.

The sectors who will enjoy price freedom from June 1 include industrial vehicles, machine tools, tanning, and tyres as well as industrial pastry, clocks and jams. Industrial vehicles and machine tools count among the most depressed sectors of industry at the moment and they have clearly been given some priority to try to help their cash position. The motor industry will follow in mid-June.

Mr. Monory promised that the bank base rate would come down in June, although the official discount rate will not be changed in order not to jeopardise the franc.

The price index has now advanced for every month this year. It rose by 0.5 per cent in January and by 0.2 per cent more each month since, to arrive at a 1.1 per cent April increase. The May index will certainly be very poor, because a wide range of public sector increases including power, rail and underground transport and postage were imposed during the month.

In addition, the ending of price controls will have an inevitable impact on the index, although the indications are that in most sectors a combination of competitive pressure and Government advice will limit the extent of the increases.

In its turn this will rub off to some extent on wages since the Government is pledged to maintain the purchasing power of all but the salaries at the very top of the scale. It may also make it harder to win acceptance for wage pause policy.

M. Raymond Barre, the Prime Minister, has warned ever since he introduced the policy of freeing industrial prices and imposing more "realistic" prices in the public sector that the index over the summer would make painful reading.

But he draws a sharp distinction between what he calls "adjustment" price increases taken against the background of firm monetary and wage control, a firm currency and a limited budget deficit and "inflationary" increases when the general economic performance is under no such control.

A further step in the Government's industrial policy will be reached tomorrow when M. Monory reveals plans to encourage the flow of savings into industrial investment.

Setback to hopes of Saudi deals

BY DAVID WHITE

PARIS, May 30.

KING KHALED of Saudi Arabia met President Giscard d'Estaing privately today for talks in which the two Heads of State are understood to have concentrated on economic co-operation, the Middle East and their mutual concern about Soviet influence in Africa. The meeting was followed by a working luncheon at which the two leaders were joined by senior members of the French and Saudi Governments.

Hopes had been raised in France of a spate of Saudi deals, including arms deals, as a result of the recent signing of a protocol arms production pact with the Arab Industries Organisation. But French expectations of big defence sales arising from the King's 48-hour visit were set back when Prince Saoud ibn Faisal, the Saudi Foreign Minister, said his Government had "negotiated sufficiently with the U.S." on its defence needs.

The Minister, who was interviewed on French television, was referring to the recent U.S. agreement to supply Saudi Arabia with 60 F-15 fighters. French reports had suggested that Saudi Arabia might still be interested in the new Mirage-2000, or the planned Mirage-4000.

The Saudis have implied full support for France's military intervention in Zaire. The Saudi Foreign Minister said that Soviet and Cuban interference in Africa aggravated internal conflicts and provoked the entry of foreign powers into the region. A country on its own could not face up to the Russians and the Cubans. For that it needed foreign help.

Saudi Arabia's endorsement of French action in Africa was considered one of the prime factors behind suggestions that the Saudi Arabian Monetary Agency might be ready to place large sums in French banks. A Paris-based Arabic weekly said last week that about $5bn. might be invested in France but there has been no official comment.

Turkish trade deficit declines

By Metin Munir

ANKARA, May 30.

PROVISIONAL first quarter figures indicate that a considerable improvement has taken place in Turkey's trade deficit as a consequence of the economic austerity programme introduced by the Government of Prime Minister Bulent Ecevit.

The trade deficit in the January-April period of this year was $736m, more than 46 per cent lower than the comparable figure for the previous year. This is mainly attributable to the decrease in imports imposed by the Government because of the shortage of foreign exchange.

At $1,403m in the first quarter, imports were at their lowest for the past four years, and over 30 per cent lower than in the first quarter of 1977.

Provisional figures indicate that exports in the first quarter of 1978 were $667m, slightly higher than the previous year's figure but considerably lower than the pre-slump $935m of 1976.

According to the Central Bank's weekly statement, gold and foreign currency reserves on May 12 stood at $730.5m.

Import transfers have been opened on a limited basis earlier this month. These were shut down in February, 1977, except for strategic and emergency goods. Central Bank and Finance Ministry officials expect the transfers to be gradually accelerated as progress is made in consolidating debts and obtaining fresh money.

In 1978 Turkey is aiming at exports of $2,550m, 45.5 per cent more than in the previous year. This target is considered by some economists to be rather ambitious. Imports, on the other hand, are planned to be $5,000m, lower than the previous year by 16 per cent.

President Brezhnev (left) with the Czech leader, Mr. Husak, on arrival at Prague.

Prague visit reaffirms Brezhnev doctrine of fraternal intervention

BY PAUL LENDVAI IN PRAGUE

THE VISIT by Mr. Leonid Brezhnev, the Soviet President, to Prague is a major political event with implications not only for Soviet-Czechoslovak relations but for the future of the Soviet bloc as a whole. Its importance is at least three-fold.

1—Occurring less than three months before the 10th anniversary of the invasion of Czechoslovakia by Warsaw Pact forces, the visit is a symbolic reaffirmation of the doctrine that "support, protection and consolidation of socialist achievements constitute the joint internationalist duty of all socialist states." The Czechoslovak leadership has decided to extol by all possible means the "fraternal international assistance" which is now claimed to have saved socialism in Czechoslovakia and detente in Europe.

2—Mr. Brezhnev is going to give all-out support to the Czechoslovak leadership, headed by President Gustav Husak, who was put in power in April, 1969, eight months after Soviet tanks had crushed the shortlived "Prague Spring" and Mr. Alexander Dubcek's reformist group.

3—President Husak and his colleagues will do their best to show their guest that they have things fully under control. The Communist Party has close to 1½m members, half of whom have joined since 1971. After a bloodless purge of hundreds of thousands of party members and officials at all levels, there is no reason to doubt President Husak's statement earlier this month that "our society is firm and stable."

For all the publicity surrounding the "Charter 77" movement which, since January, 1977, has campaigned for human rights, all observers here agree that there can be no talk of a serious threat to the regime. Some even claim that the human rights manifesto, which has been signed by over 1,000 people, has, if anything, made the human rights cause lose ground.

Travelling through the country, talking to people in the small provincial towns of Slovakia and walking the streets in the overcrowded and beautiful capital, the visitor gains the impression that this heavily industrialised country of 15m has once again become a docile and basically apolitical member of the Soviet bloc. At the centre of Prague on a spring day in the sunlight the visitor might be tempted to think that he is in a boom city. That impression is not only due to the milling crowds of local people and foreign tourists, but also to the construction of new and refurbishing of old buildings which is going on on an unprecedented scale. The queues before the vegetable and fruit stalls and the dense crowds in thet self-service stores convey the air of a "normal" communist-ruled city.

Yet a sequence of recent events is apt to raise some doubts as to just how far political consolidation and the healing of the wounds of 1968 has gone.

In an obvious move to thwart possible protest actions, the secret police have rounded up a number of human rights activists connected with the "Charter 77" movement. According to some sources at least five people, including Mr. Pavel Landovski, the actor, Dr. Ivan Medek, the music critic, and Mr. Lukas Dobrovski, the writer, have been taken into custody.

The blow comes after several weeks of tightening police surveillance and harassment. Though the action is obviously motivated by the Brezhnev visit, it is also part of special precautions for the approach of the tenth anniversary of the Soviet invasion.

Mr. Leonid Brezhnev, the Soviet President and Communist Party leader, arrived in Prague yesterday for a four-day State visit. He was accompanied by Mr. Vladimir Shcherbitsky, the Ukrainian party chief and Politburo member, and by Mr. Konstantin Rusakov, the central committee secretary in charge of contacts with ruling Communist parties.

Mr. Brezhnev walked slowly and at times appeared under strain. Tens of thousands of people were given the day off to greet him.

Police stationed in front of the U.S. Embassy have lately begun to stop for identification more and more of the 100-odd daily visitors to the reading room. This show of toughness is generally regarded as a reaction to the Yuri Orlov trial in Moscow and a similar tightening of the reins in the Soviet Union.

For all the political symbolism involved in Mr. Brezhnev's visit, the substance of his talks may well be economic. In a recent speech to the plenary meeting of the Central Committee, President Husak bluntly warned his listeners that it was high time to move "from the general to specifics, from words to action" and called for basic changes of style and a decisive struggle against bureaucracy.

In spite of an 8.8 per cent. increase of the national income in the first two years of the current 1976-80 Five Year Plan, following two successive years of economic contraction, and a bumper harvest in 1977, the country faces serious economic problems which, as President Husak pointed out, cannot be resolved overnight. A so-called "phase out" programme was adopted two years ago by the last Party Congress, but the closure of unprofitable plants has so far involved only 3,600 people, although dozens of factories, especialy in engineering are working at a loss, Mr. Husak complained.

His candour, coupled with warnings that the lack of criticism and self-criticism that was the cause of the crisis in the 1960s has not yet been overcome, is seen by some observers as a straw in the wind. Experiments to raise efficiency and quality in 150 selected enterprises are the first officially blessed moves since 1968 which could inject a new spirit into the economy.

But for the time being they are much too timid and piecemeal to bring about radical change.

The Soviet Union provides the role of armaments producer (jet trainers, tanks, ammunition and vast bulk of Czechoslovakia's imports of crude, natural gas, and iron ore. It also accounts for one-third of Czechoslovak foreign trade and the indications are that Mr. Brezhnev's visit will lead into a new phase of intensified co-operation. But the question-marks concerning long-term delivery commitments by the Soviet side remain, even though Czechoslovakia is one of the key workshops of the Soviet bloc in addition to playing a traditional small arms).

Without the guarantee of long-term fuel deliveries, the Czechoslovak leaders cannot undertake the efforts necessary to maintain living standards, which are not as high as they could be or the Czechoslovaks think they should be. The better-than-expected economic performance of the Husak regime until the "oil shock" provided the basis of relative political stability. Thus Mr. Brezhnev's assessment of the situation may prove vital both for Czechoslovakia's economy and the future political outlook.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription $200.00 (air freight) $365.00 (air mail) per annum. Second class postage paid at New York, N.Y.

...ment's Press for and published ... Cannon Street, London, EC4P 4BY.

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EUROPEAN NEWS

Bonn Minister rules out early accord on currency stability

BY JONATHAN CARR

BONN, May 30.

WEST GERMANY'S Finance Minister, Herr Hans Matthoefer, said tonight he did not believe the European Council meeting in Bremen in July could hope to reach agreement on a plan for a wider zone of currency stability in Europe.

Speaking to the foreign Press association here, Herr Matthoefer said the date was much too early for accord on the issue. Many more months, perhaps a year, would be required.

Ideas for such a zone were sketched by Chancellor Helmut Schmidt to other European leaders at the last European Council meeting in Copenhagen in April. There had been some hope that the Bremen meeting might at least bring a big step forward and that an accord could be reached relatively soon after that.

Herr Matthoefer said Bonn had wanted to go ahead with the scheme as early as possible. Others, he mentioned Britain, preferred to move more slowly and the Germans were prepared to go along with that.

Asked whether he felt Britain or France would be first to return to the European currency snake, Herr Matthoefer said he believed it would be France—within a year. He stressed that was his belief, not a firm forecast.

On the prospects for the Western economic summit in Bonn in mid-July, the Minister said: "In contrast to my Chancellor, I do not overestimate this summit, nor the economic understanding of the participants."

On the part Bonn might play, Herr Matthoefer produced a long list of problems facing a German Government seeking to bring about more economic growth. He agreed that there were differences of emphasis between himself and Count Otto Lambsdorff, the Economics Minister, but thought they would be able to agree on a joint strategy.

Count Lambsdorff has recently indicated that he favours tax cuts as a means of helping bring about an economic boost. Herr Matthoefer favours State programmes to help increase investment.

Security is key poll issue

BY OUR OWN CORRESPONDENT

BONN, May 30.

TERRORISM and public security are re-emerging as major issues in advance of key West German provincial elections next weekend.

They have forced the Liberal Free Democrat Party (FDP) on to the defensive, threatening its parliamentary existence in one state and bringing pressure for resignation of some of its leaders.

The latest to come under fire is the FDP Justice Senator in West Berlin, Herr Juergen Baumann, following the escape of an alleged terrorist from a city prison at the weekend.

As expected, the opposition—with one eye on the impending polls in the state of Lower Saxony and the city-state of Hamburg—has been pressing strongly for Herr Baumann to step down.

Meanwhile, the FDP Federal Interior Minister, Herr Werner Maihofer, is having to defend himself not only against opposition attacks but from criticism within the Social Democrat Party (SPD)—which is allied with the FDP at federal level.

Ten left-wing members of the SPD have urged Herr Maihofer's resignation on the grounds that members of the federal Border Security Force, which falls under the Minister's authority, had been carrying out unauthorised airport checks into "left-wing" reading matter.

The opposition Christian Democrats (CDU) are criticising Herr Maihofer for quite another reason—alleged incompetence during the search last year for the industrialist, Dr. Hanns Martin Schleyer, and his abductors. The recent arrest of alleged German terrorists by Yugoslav authorities appears to have done little to help Herr Maihofer's cause.

The upshot is that the FDP is facing highly unhelpful publicity days before elections which are bound to be difficult for it in any case. In Hamburg the FDP is in coalition with the SPD, in neighbouring Lower Saxony it is in alliance with the CDU. It thus has a hard task in convincing voters that it pursues a steady policy course.

A further problem is that in both Hamburg and Lower Saxony so called "green parties" of environmentalists are campaigning hard. They are not generally expected to obtain big support, but even a small cut into the FDP vote would put the Liberals in grave difficulties.

Sicily poll strengthens electoral trend

By Paul Betts

ROME, May 30.

THE LOCAL elections this weekend in Sicily, where the ruling Christian Democrats' share of the vote increased by 2 per cent and that of the Communists dropped by 9 per cent compared to the 1976 general election, have strengthened the trend which emerged in local polls two weeks ago. Then the Christian Democrats (DC) advanced by 3.6 per cent and the Communist Party (PCI) lost 9 per cent in the share of the total vote.

In Sicily, the ruling party gained 42.6 per cent of the popular vote compared to 40.5 per cent in 1976 and 39.4 per cent in the previous local elections of 1973. The PCI's share of the popular vote totalled 20.4 per cent, against 29.4 per cent in 1976 and 17.9 per cent in 1973.

A noticeable feature of the Sicilian polls is the advance of the Socialists Party (PSI), which increased its share of the vote by 4 per cent to 16.9 per cent, gaining back the ground lost in the 1976 elections. In the local polls earlier this month, the PSI made the biggest single percentage gain of any party, seeing its vote increase by almost half to 13.3 per cent.

In the wake of its recent electoral setback, the PCI has carried out a critical analysis of its disappointing performance. While stressing that the results were in part conditioned by the kidnapping and subsequent murder of Sig. Aldo Moro, the former Prime Minister, the Communist leader, Sig. Enrico Berlinguer, has urged his party to adopt a tougher line.

However, he reaffirmed the party's commitment to its strategy of reaching a "historic compromise" in Italy—or the grand coalition of all the country's democratic forces—despite the clearly negative electoral repercussions of the recently agreed political formula which associates the PCI directly with the parliamentary majority.

The main political forces are none the less presenting a united front in the current campaign for the two referenda promoted by the small Radical Party on June 11. The main parties are urging their voters to reject the Radical Party's proposals to abolish the current public order legislation—the so-called "Legge Reale"—and to repeal the public financing of political parties Bill.

LEAK EMBARRASSES PORTUGUESE CENTRAL BANK

Communists obtain IMF document

BY JIMMY BURNS

LISBON, May 30.

THE LEAK to the leading Communist daily here O Diario of a series of apparently classified briefings on the Portuguese economy has caused considerable embarrassment among leading officials and the Bank of Portugal, who have been leading negotiations with the International Monetary Fund.

For the documents, the last of which will be published tomorrow, include paper EBS-77-264 dated July 15, 1977, which is *stamped "not for public use"* by the European Department of the IMF, and which was apparently circulated here at board level among members of the Bank.

Although much of the data is consigned to history now, the very fact of its publication seems to have cut across the limits of banking secrecy which officially had been re-established when the Communists had been purged from the banking system in 1975.

This followed months during which bank accounts and classified information were freely disclosed by bank workers for the sake of "revolutionary vigilance."

Officials at the Bank of Portugal are reluctant to make any formal comment on the publication of the documents, although they have admitted that the matter is under investigation and will be taken up with the Government.

As far as O Diario is concerned, the publication of the documents reveals that "IMF officials have access to data which is denied to the Portuguese themselves."

Such observations are often made by independent sources here, who are attempting to wrestle with the problems of the Portuguese economy, and who find the truth often obstructed by recurrent statistical inaccuracies or by simple withholding of information by the relevant authorities.

The case has embarrassed the Bank, and delighted O Diario and its backers. That the matter may get no further than this was suggested today by a comment from a rather bored banking executive, who said: "Am I worried? Why, I don't even buy O Diario—that's subsidising the Communist Party, isn't it?"

Holland will raise spending on defence

By Charles Batchelor

AMSTERDAM, May 30.

HOLLAND WILL increase defence spending over the next four years to bring it into line with the NATO target of a 3 per cent real rise in expenditure. Mr. Willem Scholten, the Defence Minister, told parliament of the plans in a note yesterday on the eve of the two-day Washington summit of NATO governments.

This decision will lead to increased spending of around Fls.150m ($66m) a year, in the period 1979 to 1982, above the previous Centre-Left Government's plan to increase spending by an average 2.3 per cent a year. The Dutch defence budget for the current year is Fls.9.5bn ($4.2bn) though this may be modified in a budget amendment which is expected to be announced in the next week or two.

The Centre-Right cabinet is drawing up a programme of spending curbs totalling Fls10.bn, but the Prime Minister, Mr. Andreas van Agt, said recently that he hopes to exempt defence from any reductions.

Mr. van Agt, Mr. Scholten and the Dutch Foreign Minister, Dr. Christoph van der Klaauw, are in Washington to attend the NATO conference.

The decision to raise defence spending underlines Dutch solidarity with its NATO partners, a Defence Ministry spokesman in The Hague said.

No detailed plans have been prepared as to how the extra money will be spent but a decision is expected soon on successors for obsolescent Neptune marine reconnaissance aircraft. Holland is also under pressure to station a second army brigade in West Germany.

Polish trade deficit with West cut

BY LESLIE COLITT

BERLIN, May 30.

POLAND'S trade deficit with Western industrial countries halved last year to $1bn, according to the German Institute of Economic Research in West Berlin, in its latest report on the Polish economy.

In recent years, Poland has been second only to the Soviet Union within Comecon in its trade deficit with the West.

The institute notes that Poland released fewer relevant statistics last year on its trade with the West, but that on the basis of OECD statistics there was a 12 per cent drop in imports from Western industrial countries, and a 7 per cent rise in exports to them.

Poland is aiming at reducing its overall trade deficit from 8bn foreign exchange zlotys, last year to 6bn foreign exchange zlotys this year (one foreign exchange zloty equals 0.301 U.S. cents), the institute says.

Polish exports are to increase by 10 per cent and imports by 4 per cent. The overall trade deficit is to be cut by one quarter, and with non-socialist countries by one third.

Last year Poland's 11.5 per cent increase in exports was mainly a result of the rapid 16.8 per cent rise in shipments to the Soviet Union and the 12.2 per cent increase in shipments to the other Comecon countries. Imports from the Soviet Union also rose sharply by 20 per cent because of higher prices for Soviet energy and raw materials.

The institute notes that as in previous years agriculture was the main trouble spot in Poland's economic performance last year. Gross agricultural production expanded by only 0.8 per cent compared with the 5.3 per cent planned.

The poor harvest, partly as a result of bad weather and also because of continuing equipment and fertiliser shortages, means that in 1977-78 Poland has to import 15m tonnes of grain.

Swedish refusal of S. Africa cuts

By John Walker

STOCKHOLM, May 30.

ELEVEN major Swedish industrial companies are firmly opposed to cutting back or discontinuing their operations in South Africa, according to a government-appointed investigator whose findings have been presented to Parliament.

The companies concerned include Alfa Laval, Alvenius Industrier, ASEA, Atlas Copco, ESAB, Fagerstas, Sala International, Sandvik, Skega, SKF and Tetra Pak International.

The companies say that cutbacks would hurt Sweden's export market in South Africa and would affect employment at home, but would not hurt the South African economy.

Norway deficit 'will decline'

OSLO, May 30.

THE NORWEGIAN balance of payments deficit on the current account will fall to about Kr 19bn (£1.92bn) this year from Kr 26bn (£2.61bn) in 1977, Mr. Knut Getz Wold, director of the Norwegian Central Bank, said.

Mr. Getz Wold said here that the balance of payments should be back in surplus in the 1980s.

Nothing had happened to change the Norwegian Government's decision earlier this year to remain in the European joint currency float, he said. The Government hopes to see the float extended beyond current members, he added.

Reuter

Danish payments prospect gloomy

By Hilary Barnes

COPENHAGEN, May 30.

DENMARK'S current balance of payments deficit will not improve this year despite the Government's hopes, according to a report issued by the joint chairman of the independent Economic Advisory Council.

They also say there will be a rise in unemployment from about 165,000 (7.7 per cent) in 1977 to 185,000 this year and 200,000 next year. This will arise mainly as a result of an increase in the labour force and not from a declining number of jobs, the report says.

The report predicts that private consumption will rise by slightly more than expected by the Government.

European Commission BP ruling attacked

By A. H. Hermann, Legal Correspondent

THE DECISION of th European Commission whic condemned the behaviour Holland during the 1973-74 o crisis of three British Petroleu subsidiaries should be declare void and the Commission shoul be ordered to pay the costs o the appeal, according to a opinion presented to the Euro pean Court in Luxembourg b Mr. Advocate General J. I Warner last week (May 23).

The opinion, which is probabl unique in the completeness o the reversal of a Commissio ruling proposed in it, also con tains an important attempt a distinguishing between govern mental regulatory functions an obligations of major companie in times of scarcity. It deal with the Commission's tendenc to fill any gaps in such regu latory activity by giving a wide meaning to Article 86 of the EE treaty, originally designe merely to prohibit abuses o market power.

The Commission's decision challenged in the appeal pro ceedings, was addressed to thre wholly owned Dutch subsidiarie of BP. The Commission declare that, by reducing deliveries o petrol to a particular custome more than to other customers a the time when the Netherland were under an embargo impose by the Arab oil-producing coun tries, the three companies abuse their dominant position an infringed Article 86. Althoug no fine was imposed by the Com mission, which dropped simila proceedings initiated again other oil majors, the existence o the decision might serve as basis for an action in damage against BP in Dutch courts an for that reason, and also "t have the stigma removed," th three companies have asked t have it set aside.

BP argued that it had broke a contractual relationshi with the particular customer si months before the oil crisis an continued to supply him only t bridge over the time durin which the customer prepared t start importing crude oil.

Mr. Warner's rejection of th Commission's decision was o more general grounds. "Neithe its 9 per cent share of the Dutc market, nor the dependence o regular customers on its supplie during a period of scarcity, mad BP "market dominant," he said It had to take into account cus tomers' memories and trea them fairly, otherwise it would lose them once the crisis wa over.

AMERICAN NEWS

Venezuela budget shows need for loans

By Joseph Mann

CARACAS, May 30.

THE VENEZUELAN Minister of Finance, Sr. Luis Silva Luongo, has announced that the central government's budget for 1979 will be 45.8bn dolivars ($10.6bn).

He stated this after the budget had been approved by the President and Cabinet. The budget now goes to Congress for final approval.

The 1979 spending plan, which retains nearly the same priorities which the administration has set since 1974, will consist of regular income amounting to about $9.3bn and some $1.36bn in extraordinary income.

This indicates that the Venezuelan government will need to seek loans, principally from foreign banks, of more than $1bn next year.

Education, public health and welfare programmes will continue to receive the largest shares of the 1979 budget, and

President Perez

petroleum revenues, as usual, will supply the great bulk of all Treasury income.

Sr. Luongo asserted that 1979 central government spending will be more than $1.16bn below that proposed in the 1978 budget.

For 1977, the government approved an initial plan to spend $8.33bn, which grew nearly to $12bn by the end of that year. This year, the budget started out at $10.34bn and, so far, has swollen with additional credits of more than $2bn. These credits involve foreign loans made to the Republic of Venezuela in order to finance part of its developmental programme.

The government, headed by President Carlos Andrés Perez, is now in the midst of *an election year*. A new President and Congress will be chosen in December, and will take office in March, 1979.

While government expenditures have continued to rise over the past few years, official revenues from petroleum have mainly remained stable and have occasionally fallen.

Brazilian April trade surplus below target

By Diana Smith

RIO DE JANEIRO, May 30.

THE BRAZILIAN trade surplus in April of $12m continues an upward trend begun in March with a small surplus of $1.61m.

The accumulated trade deficit for the first four months of the year has now been reduced to $334.2m—compared with a deficit of $79m for the equivalent period of 1977.

Manufactured exports continue to perform reasonably well, but with the worst aftermath of the long drought only due to make its impact on agricultural exports from June to September—the main soya-exporting months—there is still no guarantee that Brazil can achieve a trade surplus for the whole year, as it hopes.

According to the Finance Minister, Sr. Mario Simonsen, in order to balance the trade account for the whole year, an average monthly surplus of $42m must be achieved in the next eight months.

U.S. COMPANY NEWS

Max Factor presidentquits as profits decline; Optimism over long-term at Massey-Ferguson; Esselte wins control of Dymo—page 35.

Tool orders and spending plans point to recovery

BY JUREK MARTIN, U.S. EDITOR

WASHINGTON, May 30.

FIGURES RELEASED today, showing continued strength in machine tool orders and an increase in corporate capital spending plans, demonstrate that the U.S. has recovered from the first-quarter lag in economic activity.

Machine tool orders in April rose to a record $380.9m, 18 per cent more than in March and 51 per cent up on the equivalent month last year, according to statistics compiled by the National Machine Tool Builders' Association.

Very heavy orders from car companies gearing up for new model year changes were the dominating factor in the increase, but the association's survey also found strong demand from other industrial sectors and predicted brisk business, if not necessarily at the Apri rate, for the months ahead.

The survey alo reported that in spite of higher interest rates and greater competition for loans, corporations were not experiencing cash shortages.

Meanwhile, the Conference Board, an independent research organisation, said that its canvass of the 1,000 largest manufacturing corporations had found that capital appropriations by businesses had risen by 3.5 per cent in the first quarter of this year compared with the last quarter of 1977.

Capital appropriations, or authorisations to spend money in the future, are considered the first step in the capital investment process. *If the oil industry* which reduced appropriations in the first quarter, is excluded from the calculations, then the overall rise in the first three months would have been 9 per cent.

Somewhat confusing the picture, however, and suggesting some continued corporate uncertainty about the future was the fact that unspent appropriations rose by 8 per cent in the first three months.

The Administration has been hoping that actual capital spending this year will grow in real terms by about 8 per cent, similar to the expansion last year. The Conference Board survey of the manufacturing sector, however, is predicting a 15 per cent increase for 1978.

GM to raise car price

BY OUR OWN CORRESPONDENT

NEW YORK, May 30.

ANOTHER round of price increases on U.S.-produced small cars looks likely to be triggered by General Motors' announcement of a 2.6 per cent rise on the sticker price of its best selling Chevette model.

This is the third *price rise on* this car since the start of the 1978 model year last September. Although the move is primarily a response to price increases on rival foreign produced cars, every price announcement out of Detroit is being closely studied for its impact on the Carter administration's anti-inflation programme.

GM has led the way in undertaking to try to meet the administration's target of cutting the rate of price increases below the level of the previous two years and it has also promised to hold down pay rises for salaried employees *below last year's totals*.

GM confirmed this morning that the latest Chevette price rises, coupled with an increase across its total model range at the end of April, means that its cars have increased in cost by an average of 1.5 per cent during the present model year.

McGovern attacks 'crisis' policy

BY OUR OWN CORRESPONDENT

WASHINGTON, May 30.

SENATOR GEORGE McGOVERN today sharply attacked what he described as a foreign policy of "crisis and confrontation" being pursued by Dr. Zbigniew Brzezinski, President Carter's National Security Adviser.

The Senator, who lost the 1972 presidential election to President Nixon, said in a speech that he did not think other senior administration officials — including Mr. Cyrus Vance, the Secretary of State — shared Dr. Brzezinski's attitudes, nor did they correspond to "the instinctive views" of the President, in so far as the importance of ending the arms race with the Soviet Union was concerned.

"It would appear," Mr. McGovern said, "that, as of the moment, we do not have a coherent foreign policy, but a collection of conflicting views. I pray that, in the contest for the mind of the President, calm and common sense will prevail over the strategy of crisis and confrontation."

His comments should be seen in the context of the increasing speculation here over whether divisions inside the Administration over policy towards the Soviet Union are more apparent than real.

Senator McGovern, while still a "dove" and a firm believer in a strategic arms limitation agreement, is probably more representative now of the senior U.S. political establishment than he was six years ago. He has acquired senatorial weight, ranks high on a number of important committees in the chamber, including Foreign Relations, and has shown pragmatism on a number of occasions, such as his recent vote for the package of arms sales to the Middle East.

He has generally supported the Carter Administration's foreign policies, especially over strategic arms and Africa, but, as his speech made clear today, clearly sees Dr. Brzezinski's hard-line positions as impediments to desirable goals.

Nevertheless, there is a feeling here that Dr. Brzezinki is gaining ground on the moderates—generally identified as the State Department under Mr. Vance and Mr. Andrew Young, the Ambassador at the UN. Dr. Brzezinski's free-wheeling attack on the Soviet Union in a weekend television interview appeared in sharp juxtaposition to the more muted approach adopted only a week earlier by Mr. Young, and was interpreted in some quarters here as evidence that Mr. Carter had given the National Security Adviser his head.

Texas oil blast kills four

BY DAVID LASCELLES

NEW YORK, May 30.

A LARGE oil-refining centre in Texas was rocked by a series of explosions early today—causing the death of four people and injuries to seven others—and threatening the operations of several large oil and chemical companies there. By mid-day, however, it appeared that firemen had brought the flames under control, and that the worst danger had passed.

The disaster happened at 2 am at Texas City, the location of several important oil and chemical processing plants owned by Amoco, Monsanto, Union Carbide, Gulf Oil, Marathon Oil and others.

According to *eye-witness* reports, a series of some 10 explosions ripped through installations owned by Texas City Refining Company, a local independent refiner.

Eventually, though, firemen managed to contain the blaze within the Texas City refinery, and the threat to other buildings passed.

Although much of Texas City Refinery's 80,000 barrels-per-day refining capacity was wiped out, the fire spared a 50,000 b/d extension which is under construction.

WASHINGTON'S BUILDING BOOM

Bustling reconstruction

BY NANCY DUNNE IN WASHINGTON

TEN YEARS ago the riots set off by the assassination of Dr. Martin Luther King, the black leader, left great chunks of Washington barren and burned out. Small shops, which were hit the hardest, struggled to reopen. Most of them failed. Many large businesses headed for the safety of the suburbs.

The riot-blighted sections, and others that had grown seedy and crime-ridden with age, seem finally to be emerging from the ashes. Shopkeepers are doing business with a vigou unparalled since Dr. King's death, and the *capital is now in a bustling* period of reconstruction.

Large portions of the city got a facelift for the U.S. bicentennial years ending in 1976. But new government buildings and spruced up monuments did little to alter impoverished black neighbourhoods. Construction activity however, did not slow down with the end of the bicentennial. A resurgence of housing and commercial building has led to the biggest building boom in downtown Washington since World War Two. The construction of apartments, flats for sale and private houses, is on the increase. Some 2,000-3,000 housing units are estimated to be going up annually. The ghetto areas are being reclaimed as old homes are renovated and new houses built.

Both are selling for sums that would have staggered estate agents ten years ago. Washington then was virtually an all-black city, except for a wealthy white enclave in its northwest area. Invasion by blacks buying or renting homes and the flight of whites to the suburbs were the current cliches.

City officials are instead talking about "encroachment" and "displacement" to describe the new trend of evicting poor black tenants from economically depressed neighbourhoods to make way for well-off whites moving back into town. Blacks still amount to about 70 per cent. of the population, as they did ten years ago, but the white flight trend is definitely on the reverse.

Even more to the point, many of the blacks are well-to-do, as are most of the returning whites. Planners say that Washington could well become the home of the prosperous—with both poor and middle-income blacks forced into new ghettos on the fringe or even outside. A newly-published Ford Foundation Study shows that blacks are moving into the Washington suburbs at such a pace that they accounted for one-eighth of the total increase of the number of blacks living in U.S. suburbs.

Commercial development in downtown Washington is proceeding rapidly as well. A long-discussed scheme for the re-development of Pennsylvania Avenue, the ceremonial thoroughfare, will begin this year. *Plans* include a $100m. complex between the White House and Congress which will encompass office buildings, open spaces, a *1,000-room hotel, and a reconstruction of the historic Willard*

A resurgence of housing and commercial building has led to the biggest building boom in downtown Washington since World War Two.

Hotel near the Treasury, and a spacious shopping precinct.

The bicentennial pushed along the much delayed opening of Washington's new Rapid Rail Transit System, which seems to be *getting over its initial difficulties*. It has contributed to a return to the habit of downtown shopping. People from the suburbs find that they can shop in the district without parking and traffic delays—arriving there in the matter of minutes. Woodward and Lothrop, the largest downtown retailer, reports sales gains of more than 20 per cent. in their store's lower level as a result of the new underground which has a stop below the shop. Its management says that one out of four shoppers arrive by rail.

Washington has always been a company town—the company being the Federal Government which employed its residents and ran its politics. Although the Federal Government has given up directly conducting city affairs by granting limited home rule in 1974, its magnetic presence has attracted a growing number of private firms seeking Government business.

The increasing powers of the Federal regulatory agencies and the presence of Congress has attracted lobbyists, lawyers and consultants in unprecedented numbers. An estimated 2,200 professional trade associations have set up headquarters here, many of them moving beyond the city into he Metropolitan Area, which officially embraces the northern Virginia and nearby Maryland suburbs. To accommodate the influx, new office buildings have been built all over the area. Last year, in the capital alone, construction was begun of 3m. square feet of office space, a number which is expected to continue to rise this year and next.

Sensing still greater opportunities, the Washington Board of Trade (equivalent to a Chamber of Commerce) and Suburban Business Organisations are making concerted efforts to attract new business—national and international—and with some success. Businesses are easily attracted by the increasing affluence of the area. In spite of pockets of poverty, after tax average household income in Washington was $15,925 compared with an average of $14,922 for the U.S. at large. Average household income for the entire Washington Metropolitan Area—was as much as $21,149.

Four up-market department stores—Neiman Marcus, Saks Fifth Avenue, Bloomingdale's, and Lord and Taylor—have opened new shops in the area in the past few years. Mercedes-Benz has no fewer than five servicing agencies. Computer companies, office suppliers, and light manufacturing plants are fast moving into the area. Mobil Oil is moving its marketing and refining headquarters with 1,300 employees from New York to Fairfax County, Virginia in 1979.

At a recent seminar for international business, held by the Washington Board of Trade, speakers pushed the city's attractions: the presence of the Federal Government, the moderate climate, easy access to three airports, rail service, and the port of Baltimore, a profusion of educational institutions, and the quality of life: theatre, sports, museums and concert halls.

The presence *of an* international community in Washington is "a resource of enormous importance," according to Mr Henry Catto, former White House chief of protocol, now a business consultant. Mr. Catto praised the easy availability of information from the embassies, and the constant flow of world leaders with the entourages who visit the city.

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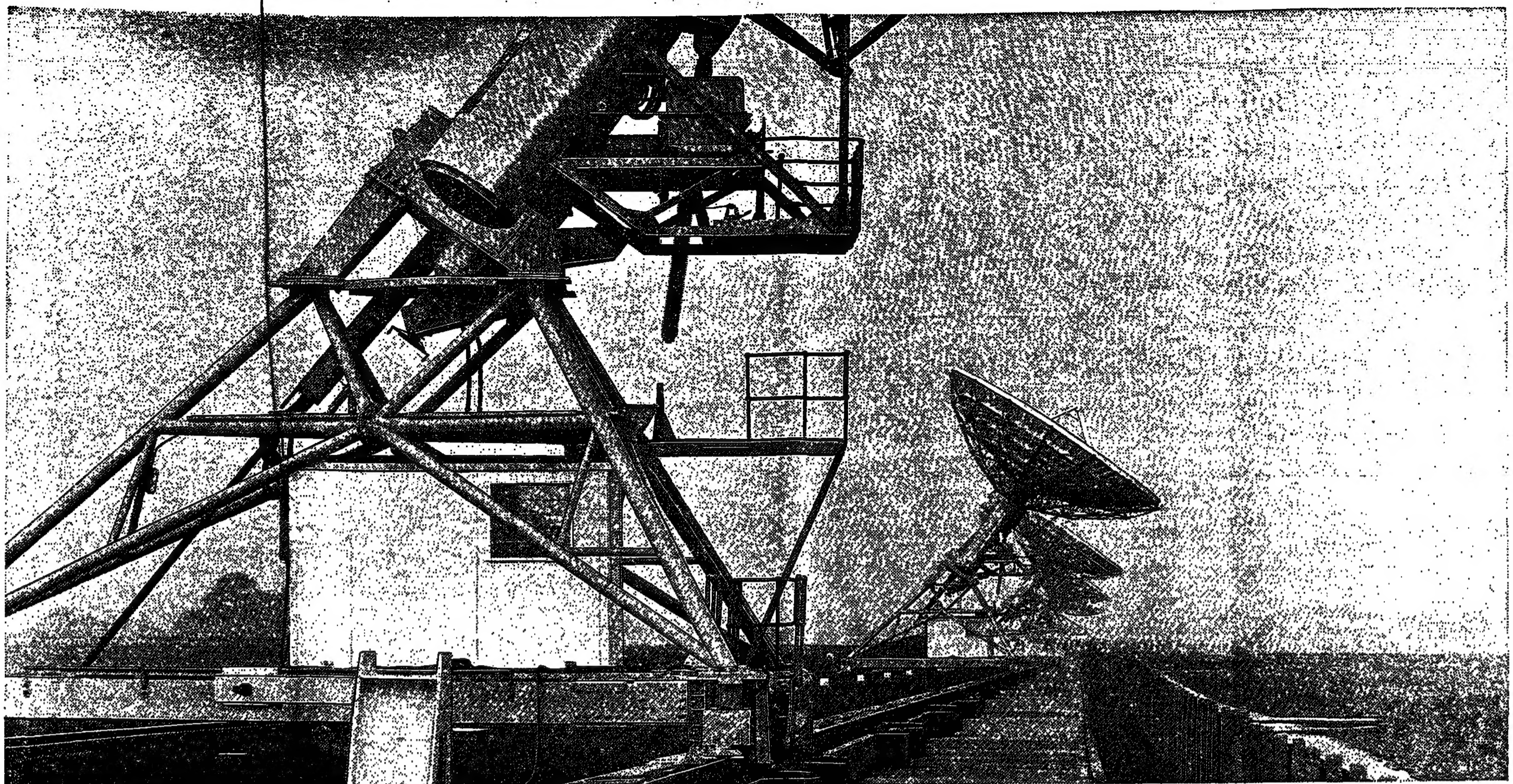


Cambridge Radio Telescope

BICC-people who make things work in the air

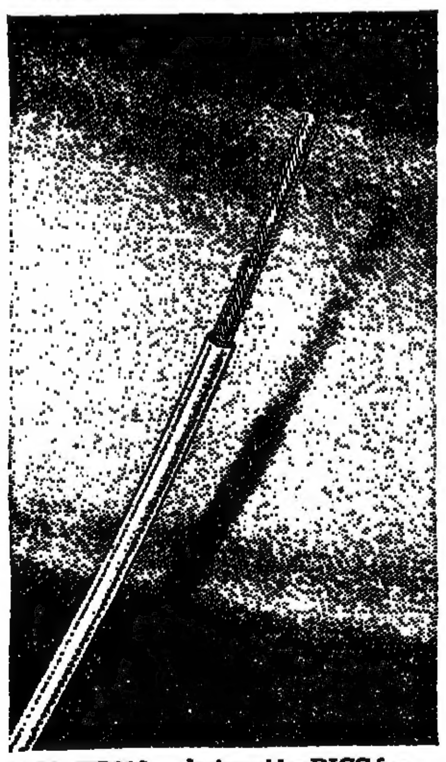
Capturing images of his home and family through the lens of his 8mm cine camera, Ernest Adams relaxes. But Ernest recalls images of a far more complex nature — images of galactic radio sources light years from earth — captured by the 5 kilometre Radio Telescope near Cambridge, which he helped to make operational.

Critical to the operation of the telescope are the cables which transmit radio signals between each of the eight aerials and the central receiving equipment. These radio frequency cables of a BICC - design had to be cut to identical electrical lengths, involving an accuracy unattainable with conventional techniques. Ernest provided the answer to the problem with the development of a special cable cutting technique. This used a time domain reflectometer capable of matching lengths of cable pairs to an accuracy of one part per million.

Ernest was just one of the BICC team who manufactured and installed all of the diverse cable types required for the telescope — just one of the team of BICC's 54,000 people worldwide, people who make things work.

Wilf Atkin is another — an ideas man, expert in aircraft cable design. In his spare time, Wilf chooses a much more down to earth pastime — winemaking — but one which equally satisfies his taste for a challenge.

Wilf headed the team who have successfully developed cable designs to meet the increasingly stringent specifications of aircraft manufacturers. The same team who developed cables for the latest generation of military aircraft — Jaguar, Harrier, and the MRCA. And whose greatest achievement was the design of an airframe cable for the Concorde.



Cable KP210 — designed by BICC for Concorde.

Hawker Harrier 'Jump Jet' extensively wired with BICC aircraft wiring cable.

Wilf Atkin: 'a taste for a challenge'

The supersonic performance of Concorde created higher operating temperatures for cables. Weight was also a critical factor. The requirement was therefore for an airframe cable lighter than existing types and able to operate at higher temperatures. After months of design study, prototype work and the most extensive series of tests ever carried out on an airframe cable, Wilf and his team evolved KP210, a cable of unique design which met the demanding specification in every aspect.

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OVERSEAS NEWS

Mr. John Vorster

Namibian initiative loses momentum

By Quentin Peel

JOHANNESBURG, May 30.

THE WESTERN initiative for a settlement in Namibia (South West Africa) has come almost to a halt, and the Western negotiators are at a loss over how to regain the momentum of the talks. The current Southern African mission by Mr. Don McHenry, Deputy U.S. Ambassador to the UN and chief negotiator, is seen here as a desperate effort to buy enough time to get the exercise restarted.

McHenry's visit to South Africa last week, however, seems to have infuriated the South African Government, and particularly Mr. Pik Botha, the Foreign Minister. The U.S. envoy made a particular point of stressing the disastrous political results of South Africa's military raid on the bases of the South West Africa People's Organisation (SWAPO) in southern Angola. The raid, he said, was a "substantial" cause of the current deadlock, and "far out of proportion to anything SWAPO has been doing." Mr. Botha retorted that Mr. McHenry's visit and speeches were "transparent attempts to place the blame for a failure on South Africa's shoulders." In future, he should restrict himself to the Western settlement proposals, he said.

That the South African raid was the immediate cause of the stalemate, precipitating the abandonment of negotiations by Mr. Sam Nujoma, the SWAPO leader, is generally agreed on the Western side. But they admit that the whole initiative was complicated by the opposition of significant elements both in SWAPO and in the South African Government to any compromise settlement, which might lead to genuinely open elections, and hence to possible victory by the other side.

For its part, the South African Government has followed up its acceptance of the Western proposals — in itself the most significant breakthrough so far — with a series of gestures which are seen as totally hostile to the spirit of the settlement. The timing of the military raid, launched only days before Mr. Nujoma was scheduled to give his formal response to the Western proposals in New York, could hardly have been worse. Earlier, on the very day Mr. John Vorster, the South African Prime Minister, announced his acceptance of the proposals, Judge M. T. Steyn, the South African-appointed Administrator-General in the Namibian capital of Windhoek, ordered the detentions of half the executive members of SWAPO inside the country.

The latest South African threat by Mr. Vorster, it is understood, is to start the process of registering voters in the territory within a fortnight. From the South African side, this move is presented as "neutral," and designed to maintain momentum towards the promised independence date of December 31. The Western negotiators, however, see it as exactly the sort of exercise in which impartial UN observers must be involved to satisfy all sides that it is fair. A unilateral South African move is therefore seen as decidedly negative.

For his part, Mr. Nujoma has throughout the initiative been a difficult and uncooperative negotiator, according to Western sources. However, he has been under considerable pressure by his "respectable" (non-Communist) backers, especially in Africa, to compromise. "It was very clear to Nujoma that he was being hammered by the front line states," according to one Western source.

Essentially, four issues were still in dispute between Mr. Nujoma and the Western powers: the status of the port of Walvis Bay; the positioning of the nucleus of South African troops to remain in the territory during elections; who controlled the police force; and the relationship between the South African Administrator-General and the UN Special Representative. Of these issues, the status of Walvis Bay was simply not considered by the Western proposals, while the control of the police and the relationship between the two "rulers" of the territory were left sufficiently flexible to satisfy both sides. Only the troop location was a major problem.

"Because of the South African raid, the location of troops is even more important than it was before," according to a Western source. The Western negotiators are hoping to persuade SWAPO and the front-line states that the raid only highlighted the importance of having a buffer peace-keeping force from the UN as envisaged by their proposals. But in the emotional wake of the raid—in which, according to SWAPO, the principal casualties were civilian—such an argument has little force.

Sadat hints at possible new Middle East peace effort

BY ROGER MATTHEWS

CAIRO, May 30.

PRESIDENT ANWAR SADAT of Egypt hinted strongly today that he was considering some new dramatic Middle East peace move should his present efforts end in failure.

Having chided foreign correspondents for their alleged distorted reporting of recent events within Egypt, Mr. Sadat recalled that similar doubts had been raised shortly before he launched major initiatives such as the decision to eject Soviet military advisers in 1972, to launch the 1973 war and to visit Jerusalem last November, each time his critics had been proved wrong, said Mr. Sadat, and later added that he hoped there would be a "surprise" on July 23, the anniversary of the 1952 Revolution.

The Egyptian President, addressing his second news conference in eight days, said he would prefer that an Arab summit conference should not be held within the next two months. "In those two months we will reach a result—either the peace momentum will resume or it will prove to be failure."

However by this, the President did not appear to mean that he would abandon peace efforts, only that he would change his approach to the subject. "My peace initiative will never die and anyway today it belongs to the whole world, to every man and women who loves peace."

Another key date raised by Mr. Sadat was the expiry of the United Nations Emergency Force mandate that occurs in October. But it was not just the presence of United Nations troops in Sinai that was at stake, it was the whole second Egypt-Israeli Disengagement Agreement, declared Mr. Sadat. He insisted that a continuation of the second Disengagement Agreement negotiated two years after the 1973 war, was "the big test."

Meanwhile Mr. Sadat said that he was waiting for the United States to become a full partner in the peace process and added that he was in almost daily contact with President Jimmy Carter.

By emphasising that the U.S. had still to become a full partner, Mr. Sadat clearly indicated he was looking for further pressure from Washington on the Israeli Government. There was "complete stagnation" in Israel and the peace initiative had reached "a stalemate of sorts." But Mr. Sadat added: "Whenever there are new elements from the Israeli side, Egypt will be open-minded and open-hearted. We will reciprocate any new elements they may introduce."

Earlier Mr. Sadat had particularly singled out the BBC and The Times of London for their reporting of Egyptian domestic affairs. He said that he was "very sorry" about the attitude of The Times and accused the BBC of "transmitting false facts."

Party list voting for Rhodesians

BY OUR OWN CORRESPONDENT

SALISBURY May 30.

A SYSTEM of proportional representation using party lists will be used in Rhodesia's first one-man, one-vote election this year, the transitional government announced tonight.

The four-man Executive Council said that it had opted for this system to speed up the electoral process "as it does not wish to depart from the faith expressed by all signatories to the internal agreement which provides for independence to be achieved by December 31, 1978."

The Council said it was satisfied that because of the time required to register voters and delimit constituencies, it would not be possible, using the Westminster constituency model, to hold elections until the latter part of 1979. "In view of the commitment to independence by December 31, 1978, the prospect of delaying the general election until the following year cannot be countenanced."

The Council said it was "convinced" that by using the party list system it would be possible to hold a general election before the end of this year.

The Council statement pointed out that the proportional representation, party list system was used in France, West Germany and Israel.

Under the system voters will cast their ballots for the party they wish to support and representation in the 100-seat Parliament will then be determined by the proportion of votes cast for each party.

The system will apply to the 72 black seats in the assembly while the 20 ordinary white seats will be elected on the normal constituency basis. The method of selection for the eight "special" white seats has still to be decided.

In a separate statement, the Council announced its acceptance of a recommendation from the Ministerial Council for a 30-member Senate (or Upper House) which will be made up of 10 chiefs (elected by the Council of Tribal Chiefs), 10 senators elected by the 28 white members of parliament and 10 senators elected by the black Government.

The Senate will have delaying powers, being able to delay by up to six months legislation other than urgent Bills or money Bills and by up to 12 months any legislation which the Senate legal committee rules to be inconsistent with the Declaration of Rights.

The Senate will not have any veto or blocking powers on legislation. It will be able to initiate new laws.

Experts struggle to quell Iran oil fire

By Andrew Whitley

TEHRAN, May 30.

A FIRE in an oil well in south-west Iran is continuing to burn out of control, a week after seven workers were killed by a a huge explosion. Efforts by Mr. "Red" Adair's team of oil-field fire-fighters from Texas to extinguish the blaze have so far failed.

Two attempts have been made, yesterday and to-day, to reach the uncontrolled jet of burning oil and gas at the heart of the fire. The team may well try again tonight, taking advantage of the comparatively cooler hours.

The explosion, early last Thursday, came during the final stages of preparing well 126 to come on stream in a marginal sector of the rich Maroun oilfield. Informed sources say heavy diesel oil was being pumped down the newly drilled well under considerable pressure when the well casing ruptured. Oil spurting back out of the well ignited, shooting smoke and flames 600 feet into the night sky.

Jobless rate in Japan hits 19-year peak

By Charles Smith

TOKYO, May 30.

JAPAN HAD a seasonally-adjusted unemployment rate of 2.2 per cent. in April, the highest for 19 years, the Prime Minister's office announced today. The number of people out of work was 1.23m as against a total of 54.13m who were employed. Unadjusted figures show an improvement from the position in March, reflecting that school-leavers normally start work in April.

In spite of the apparent drama of a 19-year peak the unemployment ratio as such attracts relatively little attention in Japan, partly because the ratio of unemployed to employed of just over 2 per cent is a fairly low one. What attracts more attention is the so-called job offer-job seeker ratio, which remains unchanged at 0.55 per cent. in April. In other words there were nearly twice as many people seeking jobs during the month as there were vacancies to be filled.

Extra flights for Zaire Europeans

By Mark Webster

KINSHASA, May 30.

EXTRA FLIGHTS to Lubumbashi, the provincial capital of the Shaba province of Zaire, are being laid on for women and children who wish to leave, diplomats said here today.

The flights, to be run by the Belgian airline Sabena, are to cope with the extra demand from Europeans who fear a rebel attack similar to that which devastated the mining town of Kolwezi recently.

The arrangements are thought to be part of a deal struck between the Belgian and Zairean governments that it the women and children were allowed to leave the men would stay behind and ensure the continued smooth running of the major commercial centre.

Diplomats were anxious to point out that the extra flights did not amount to an evacuation. They said that all passengers would pay normal fares and that most of them were simply going home early for holidays.

EGYPT'S PYRAMIDS OASIS PROJECT

Foundations built on sand

BY ANTHONY MCDERMOTT IN LONDON AND ROGER MATTHEWS IN CAIRO

THE CANCELLATION of the Pyramids Oasis project which was announced over the week-end is of profound economic and political significance in Egypt. In many senses it represents a defeat for President Anwar Sadat and his efforts to introduce more liberal economic as well as political policies.

It was to have been Egypt's largest tourist project, costing some $500m. It is described as a tourist residential resort, situated on 10,000 acres, 2 km away from the nearest of Giza's three world-famous pyramids—that of Mycernius. It was to provide accommodation for up to 40,000 people in some 6,000 villas, 5,500 apartments and five hotels.

The Pyramids Oasis was being developed by the Egyptian Tourist Development Company (ETDC), a joint venture company, in which the Egyptian Government, through the Egyptian General Organisation for Tourism and Hotels, held 40 per cent participation. The rest was held by Southern Pacific Properties (Middle East), a subsidiary of the Hongkong-based company Southern Pacific Properties (SPP). Under the preliminary agreement signed on September 14, 1975, the initial capital of the company was $3.4m, to rise eventually to $17m. As its share in capital participation the Egyptian Government provided the right of usufruct on the land.

Before turning its attention to Egypt, SPP's main undertakings had been the development of a tourist site in Fiji and the acquisition of the Travelodge hotel chain which operates in Australia, New Zealand and Fiji. It was until recently quoted on both the London and Hong Kong stock exchanges. The group's share capital and reserves are put at over $57m.

The main shareholders in SPP include the Triad Group, headed by the Saudi entrepreneur Mr. Adnan Khashoggi, with 29 per cent; P & O, with 23.5 per cent; and Trust Houses Forte, with 4 per cent. Major equity participants in the subsidiary SPP (Middle East) include the Saudi Princes Nawaf bin Abdel Aziz and his brother Fawaz, who between them hold 25 per cent.

Last week, dealings in SPP were suspended in Hong Kong because of negotiations over a bid for SPP by Triad.

A spokesman for SPP told the Financial Times yesterday that there would be meetings over the next fortnight in Cairo during which the position of the Egyptian Government would be crystallised. He added that SPP could not determine precisely the effect of the cancellation until the Egyptian Government's plans had been presented and studied. "SPP's fundamental financial health," he added, "is not endangered by the prospects of cancellation."

So far $7m has been spent developing the area's infrastructure. It has been alleged that a unique site is being defiled; that archaeological treasures would be lost for ever (denied by several archaeological authorities); that the Pyramids' foundations would be threatened by seepage from the lake in the middle of the tourist complex; that the history of SPP was at best doubtful; that the financing of the project was questionable; that the Egyptian people had not been consulted properly; and that this sort of prestige project represented the worst face of the "open door" economic policy initiated by Mr. Sadat—particularly when there were so many other sectors of the economy crying out for investment.

Suspicions were aroused by such highly challenging statements as: "The shares of SPP are traded on the London stock exchange. Such unique privilege is only granted to companies of the highest moral, legal and ethical standards. Naturally, all officers and directors of such public companies are people of flawless commercial, ethical and financial background with completely clear past records."

With SPP also stating that it is "one of the largest corporations in the world—engaged exclusively in tourism—outside the U.S.," it was further grist to the critics' mill when they discovered in the company's 1976 annual report that no dividend would be paid that year and that it was unlikely that earnings would improve significantly in the short term to provide an adequate return on shareholders' funds.

The admitted problem with Mr. Sadat's "open door" economic policy is that it has failed to induce private foreign capital for industrial investment but has helped to fuel a boom in real estate development, of which the Pyramids Oasis is a prime example. However the Government had argued that in this case it had cost the people of Egypt nothing, as the land on which the project was being built was contributed as its stake in the operating company. Not only that; the land was "only" being made available on a 99-year usufruct lease and would eventually revert to the Government. Valuers chosen by the Government put a price tag of $1.36m on the land, for which it received in return a 40 per cent stake in the operating company.

So far about 400 plots have been sold. The average price per square metre for the plots is understood to be about E£28, of which the company has estimated E£22 will go towards the infrastructure. Critics of the scheme are busily doing their sums to try and reach a conclusion about the probable profit element that will accrue, and whether the land was provided at a knock-down price.

WORLD TRADE NEWS

Improved exports help cut EEC-Japan trade deficit

BY CHARLES SMITH

TOKYO, May 30.

THE APPARENT improvement in the trade balance between Japan and the EEC during the first four months of this year is a clear indication of success by European exporters, but whether this is only temporary remains to be seen.

The striking point about the Japan-EEC trade figures (Japan's exports to the EEC up 16.9 per cent, imports up 37 per cent) is that they suggest an altogether different situation from that between Japan and the U.S. There, the surplus in Japan's favour continued to rise steadily during the first four months of 1978, reaching an all-time peak in April.

MITI officials profess to be mystified by this difference beyond suggesting that European exporters may have been "trying harder" than Americans during the past few months.

More to the point could be the relatively steep increase in European car exports to Japan during the past few months as against U.S. exports and some rises in "*non-traditional*" European export items such as *industrial diamonds* (up 42 per cent to Y8.58bn) gold (up 84 per cent to Y7.3bn) and, most improbably, ships (up from zero to Y2.2bn)—all during the first three months of 1978.

Japanese officials who are convinced that the picture is really improving point to statistics which indicate a rise in the ratio of manufactured goods in Japan's total imports during the past few months

The ratio was 21.5 per cent during the whole of 1977 but rose to 22.9 per cent in January and then, by stages, to 26.6 per cent in April—easily its highest level since it was drastically reduced in 1974 as a result of the quadrupling in value of Japan's crude oil imports.

A point which would be agreed by both sides is that the trend towards a reduced Japanese surplus with the EEC will have to become much more marked before the problem can be regarded as approaching solution.

EEC sources calculate that, at present rates, Japan would run a surplus of around $4.1bn with the Community on the basis of customs clearance figures—only slightly down from the "unacceptable" $4.6bn level which was actually recorded in 1977.

The adjustment of the imbalance could be greatly helped by Japanese orders for EEC aircraft but it seems doubtful whether these will come early enough to affect the trade figures for 1977.

What could help more is the anticipated impact on European exports of Japanese tariff cuts introduced on March 1 (but originally scheduled for introduction on April 1).

Some European exporters (including Scotch whisky exporters) appear to have held back shipments early in the year while waiting for the tariff cuts to take effect. This could lead to a corresponding, or more than corresponding, rise in shipments later in the year.

JAPAN - EEC TRADE

First our months of 1978 compared with first four months of 1977

$m

	Japanese imports %	Japanese exports %	Balance %
UK	402.8 (+38.9)	641.4 (+ 2.9)	− 238.6 (−28.4)
W. Germany	647.7 (+34.9)	1,044.8 (+27.3)	− 397.2 (+16.0)
France	205.9 (+24.0)	329.4 (+15.8)	− 123.5 (+ 4.0)
Italy	165.2 (+23.6)	147.1 (−16.9)	+ 18.2 (n.a.)
EEC	1,744.8 (+37.1)	3,118.6 (+16.9)	−1,373.8 (− 1.5)

Trading houses foresee national $10bn surplus

TOKYO, May 30.

EIGHT LEADING Japanese trading houses predicted a trade surplus for the country in fiscal 1978 (started on April 1) ranging from $10bn to $14bn, compared with a $5.5bn government estimate in January. Their predictions, on a customs clearance basis, were released individually in their business outlooks for the year.

The Japanese Government forecast a $13.5bn trade surplus on a payments basis and a $6bn current account surplus, based on its estimate of a $5.5bn trade surplus from customs clearances.

All eight houses estimate exports f.o.b. higher than the Government's $86.5bn. Their predictions range from $89bn to $93bn. They are Mitsubishi, Mitsui, Itoh, Sumitomo, Nissho-Iwai, Toyo Menka Kaisha, Kanematsu-Gosho, and Nichimen.

All except Toyo Menka Kaisha predict that imports will be lower than the Government's $81bn estimate. Their predictions range from $78bn to $80bn.
Reuter

AP-DJ adds: Export and import contracts in April at the 13 major trading houses declined from a year ago and from March, the Japan Trade Council said on Tuesday. April export contracts fell 0.4 per cent from a year earlier and 53.5 per cent from March when a sharp increase was recorded to Y709.7bn.

Import contracts outpaced export deals in April but slumped 26.5 per cent from a year earlier and 7.2 per cent from March to Y801.6bn, the sixth consecutive monthly decline. In March, export contracts had risen a healthy 14.2 per cent from a year ago and 69.5 per cent from February to Y1,527bn. while import contracts fell 35.2 per cent from a year earlier but were up 52.9 per cent from February to total Y883.2bn.

The council, which represents trading houses accounting for about three-fifths of Japanese trade, said figures reflected the high levels of April last year. Export contracts, it noted, are at their lowest since the Y583.3bn marked in last October.

It is the first time imports have outpaced exports, by Y91.9bn, since October 1977, when the import contract surplus was Y307.2bn.

Uganda to route goods via Aden

By John Worrall

NAIROBI, May 30.

UGANDA, AFTER a visit to Kampala by a three-man South Yemen delegation, has agreed to route its trade through Aden.

Uganda Radio said President Idi Amin expected Uganda Airlines and a Uganda forwarding company to open offices there. Uganda planned to fly its exports to Aden for shipping.

Almost all Uganda's exports go by rail or road to the Kenyan port of Mombasa. Trade experts here say that flying goods to Aden for shipping onwards would add enormously to the cost of exporting Ugandan produce. But it seems possible that President Amin hopes by such methods to lessen Uganda's dependence on Kenya for its trade lifeline to the outside world.

Chile ports for sale or rent

By Robert Lindley

BUENOS AIRES, May 30.

THE BIG increase in Chilean exports in the past three years *has created a bottleneck in the* country's ports and has convinced the Pinochet regime that the ports should be sold or rented because of the huge investments needed to expand them.

Luis Eberhard, Director of the State Ports Combine (EMPORCHI), making that anouncement, did not indicate whether foreign companies would be permitted to bid, but the indication is that because of the large investment needed, they will.

Chile's foreign trade last year reached $5bn, and with the continuing increase, especially in fruit exports, which are expected to double in the next three years, Chilean ports are becoming less and less capable of handling the traffic. The country's grape exports alone in 1977 totalled 6m crates, and the grape growers of one region alone, Aconcagua, have announced that its grape exports in 1980 will reach 12m crates.

Japanese 'agreement' on Asahan financing

BY DAVID HOUSEGO

JAKARTA, May 30.

JAPAN HAS agreed in principle to pay most of the additional multi million dollar increase in costs for the Asahan hydro-power and aluminium project, a senior Indonesian Minister has claimed here.

Mr. A. R. Suhud, the Minister for Industry, said that inflation had raised the cost of the venture—the largest single foreign investment project in Indonesia and one of the largest in South East Asia—by "roughly $700m from the original estimate in 1974 of $812m." Unofficial estimates have put the cost escalation at over $1bn.

Indonesia *also faces* a cost increase of about $1bn for the Krakatau steel plant in West Java—a project originated by the State oil concern Pertamina but taken over by the Government. Negotiations are taking place with Spain to provide 15-20 credits for machinery of German design.

In an interview Mr. Subud left little doubt that there was still a sharp division of opinion between Indonesia and Japan, as well as between the Japanese Government and the Japanese companies involved in the Asahan project over sharing the burden of the additional finance. Japan's dilemma is that the project has become a symbol of its political commitment to South East Asia. But the Japanese are worried about its profitability if they have to obtain the bauxite—as President Suharto wants them to—from the nearby Indonesian island of Bintan.

Mr. Subud said that Japan's initial proposal that the increase should be met through a loan raised by the Government of Indonesia had been rejected.

His own suggestion was a back-to-back financing arrangement under which Indonesia would borrow funds on 15-20 year terms from Japan for immediate lending to the Japanese partners. Repayments would be guaranteed by the foreign exchange receipts from the sales of the output of the aluminium smelter. Mr. Suhud emphasised that the suggestion was a personal one. He is however the minister responsible for the project.

The Indonesian Government only has a 10 per cent stake in the project. The rest of the equity is held by Nippon Asahan Aluminium, a consortium led by Japan's Overseas Economic Co-operation Fund (OECF) and 12 Japanese companies, including Sumitomo Chemical Industries, Showa Denko and Mitsui Aluminium. Under the original financing arrangements 70 per cent of the funds were provided by loans from Japanese Government agencies and commercial banks.

Mr. Subud made it clear that the equity capital would not be much increased so that the debt equity ratio would rise to about 80/20.

The project, located in Northern Sumatra, involves the construction of a major hydro-electric plant, an aluminium smelter and other substantial infrastructure work. The financing of the cost escalation was one of the major items taken up by Mr. Toshio Komoto, Japan's Minister for International Trade and Industry when he was here three weeks ago and is expected to be high on the agenda of the forthcoming visit of Mr. Sunao Sunodo, the Foreign Minister.

A further serious complication for Japan is that Indonesia seems determined to persist with a related but controversial project on the Island of Bintan near Singapore. According to Mr. Suhud, Indonesia intends to go ahead with a $400m bauxite mining and alumina smelting venture on Bintan to provide feedstock for the Asahan plant. Other ministers, however, who believe that there are more urgent priorities requiring large foreign exchange expenditures, claim that the final cost and technical studies for Bintan will not be completed until the end *of September.*

Mr. Suhud said that the Government had taken over the project and would be looking to foreign loans to finance two-thirds of the cost. He conceded that the Japanese had "not been too enthusiastic" about it and that it was "commercially a bit weak." Indonesia might have to accept a lower return on it but Mr. Suhud implied that this was worthwhile in the context of development and an integrated aluminium industry.

Slowdown in exports puts India into deficit

BY K. K. SHARMA

NEW DELHI, May 30.

ANNUAL TRADE figures for 1977-78, just released by India's Commerce Ministry, show that the previous year's nominal surplus of Rs 720m (roughly £40.7m) has changed into a fairly large deficit of Rs 5.81bn. The sharp reversal is due to the slow growth rate of exports by just 5.4 per cent compared to the 19 per cent rise in imports.

Exports are estimated at Rs 52.52bn and imports at Rs 58.33bn. These are still provisional, but final figures are expected by the Commerce Ministry to confirm the deficit.

The main change in the pattern of trade is a sharp increase in imports of oil and petroleum products to about 30m tonnes, a 6 per cent increase that is expected to stabilise in view of growing production in the country.

The slow growth in exports is officially explained by factors such as the growing trend towards protectionism in developed countries, the continued recessionary trend in the world economy, fluctuations in the value of the dollar and the Indian Government's policy of restraining export of certain items of mass consumption.

Because of protectionism or recession in countries belonging to the Organisation for Economic Co-operation and Development (OECD), India's exports were affected in several important sectors. The fall in steel exports in 1977-78 is estimated at about Rs 1bn, partly because of the rise in internal demand. The loss in cotton textiles and leather products is estimated at Rs 500m.

Commerce Ministry officials are pessimistic about Indian exports and say they will not rise more than 4 per cent in 1978-79. Taken with the figures just announced, that means a sharp reversal in trends as shown by the comparison with 1975-76 when exports soared by 27 per cent.

The trade gap is likely to widen appreciably during the current year because of the Government's new liberal policy on imports of capital goods and essential consumer goods.

During 1977-78, the Government regulated exports of mass consumption goods to cater to the domestic market and check the rise in prices. That has helped to keep inflation to 5.1 per cent in 1977-78. To contain rising domestic prices of tea, the Government imposed export duty, withdrew assistance for duties and encouraged producers to bring more tea to auction centres to increase overall availability. Exports were limited to 225m kilograms compared with 242m kilograms in 1976-77.

Trends in export earnings have, however, been encouraging in tea, coffee and spices, mainly because of the rise in unit values. Engineering goods, chemicals and allied products and jute manufactures also improved, while the increase in gems and jewellery was spectacular.

It is estimated that the value of tea exports increased by 88 per cent from Rs 2.95bn to Rs 5.56bn, coffee by 102 per cent from Rs 1.1bn to Rs 2.3bn and spices by 82 per cent from Rs 760m to Rs 1.88bn.

Exports of engineering goods are estimated to have increased by 12 to 13 per cent from Rs 5.54bn to Rs 6.25bn, chemical and allied produces increased by 17 per cent from Rs 1.31bn to Rs 1.54bn and gems and jewellery by about 50 per cent from Rs 2.87bn to Rs 4.26bn.

China may buy Y70bn power plants

TOKYO, May 30.

CHINA HAS offered to buy from Japan three thermal power plants at an estimated total cost of about Y70bn, according to Japanese machinery industry sources.

The required plants would be one producing 300,000 kilowatts and two for 150,000 kilowatts, designed to use steaming coal as fuel. They are expected to be built near Shanghai in connection with an integrated steel mill at Baoshan, which China hopes to begin operating from 1980 with an annual capacity of 6m tonnes of crude steel.

Last week Nippon Steel signed a formal contract for co-operation in building the steel plant.

Three Japanese electrical machinery manufacturers are studying the Chinese offer and are expected to start technical consultations on the proposed power plants next month.

They are Hitachi, Tokyo Shibara Electric and Mitsubishi Heavy Industries.
Reuter

Daf truck line opened in Ghana

By Charles Batchelor

AMSTERDAM, May 30.

DAF TRUCKS, the Dutch commercial vehicle maker, has started building buses and trucks in Ghana as the first step in a five-year plan to strengthen its position in the international vehicle market. Autoparts Ltd., of Accra, has begun assembly and has capacity for two trucks a day.

The Dutch company has provided technical and, initially, management assistance to Autoparts, but has no financial stake. Production is for the Ghanaian market at first, but exports to other West African countries are expected later. Assembly in Ghana has been started because of the difficulty of getting import licences.

Daf trucks has been an exporter of knocked-down bus chassis for assembly in Morocco for some years, but the move to Ghana is the first part of its expansion programme, announced in March. It is studying the potential for assembly in other countries, notably Nigeria.

It has foreign operations in Portugal, Spain, Belgium and Indonesia, and exports to many other countries.

AP to open in U.S.

Automotive Products, which produces clutches, brakes and steering components, is opening a factory in Detroit in July to take advantage of the new vehicle specifications needed to meet stringent petrol economy regulations, a Financial Times reporter writes.

Textile machinery sales show substantial drop

BY LYNTON McLAIN, INDUSTRIAL STAFF

WORLD SALES of textile manufacturing equipment fell sharply last year, the International Federation of Cotton and Allied Textile Industries said in a report published yesterday. Lower investment in Europe and North America accounted for the fall, which, however, did not reflect rising investment in countries of the Eastern Bloc, Asia and Oceania.

Fewer spindles, open-end rotors and shuttle-looms were shipped last year compared with 1976. Total sales fell by two-fifths.

Only shuttle-less loom shipments were higher than in 1976, with 19,000 units sold compared with 18,000 in 1976, almost half of all looms sold. Britain was the fourth biggest single market, with total sales of 900 shuttle-less looms.

Nearly half the 1.8m ring spindles sold were shipped to Asia and Oceania. South Korea was the biggest single market, with a total intake of 385,000.

The biggest drop in sales of ring spindles since the federation started collecting data in 1974 occurred in European countries outside the EEC and Organisation for Economic Co-operation and Development (OECD). Sales dropped from 610,000 in 1974 to 132,000 last year.

Europe as a whole took half the 232,000 rotor sales last year, but the largest single market was the USSR, which took a quarter of world sales. Sales to Hungary and Romania more than trebled during the period, when sales elsewhere fell by almost 60 per cent.

Sales of shuttle looms were dominated by interest from South Korea, which bought 2,900 of the 20,000 looms shipped.

International Cotton Industry Statistics Supplement, volume 4, 1977, the International Federation of Cotton and Allied Textile Industries, Postfach 289, Zurich 8039, Switzerland.

New exhibition body proposed

FINANCIAL TIMES REPORTER

A NEW promotional organisation for the UK exhibition industry is to be proposed by the exhibition industry working party at a meeting in London today.

The aim of the new body, tentatively called the British Exhibition Promotion Council, would be to "bring together and further the interests of all sides of the industry through a new organisation to be concerned with the effectiveness, status and reputation of the industry as a whole."

Its main function would be to increase the awareness of the value of exhibitions in the marketing mix and to increase publicly overseas. It would also be involved in research, training and standards and be complementary to existing organisations.

Longer holidays forecast for some at Ford

By Christopher Parkes

WORKERS AT the Ford tractor factory, Basildon, Essex, may have an extended summer break this year. The annual three-week holiday shutdown at the works is likely to be lengthened considerably.

Mr. Geoffrey Tiplady, Ford tractor managing director, said yesterday that a decision would be made in about a week's time. He was hoping that the total summer closure would not be as prolonged as the six weeks predicted in the industry.

Some short-time working had been expected because of a 10 per cent drop in domestic tractor sales this year. The Basildon factory accounts for more than a third of Ford's world tractor sales.

Mr. Tiplady said home sales in the first three months of the year were 12,800, compared with 14,200 last year. Dealers had ample stocks and held large numbers of second-hand tractors.

The fall in Ford sales on the U.K. market tallies with the decline recorded by the British farm machinery industry as a whole.

The Agricultural Engineers' Association said yesterday that registrations of tractors in the first quarter of the year were 12 per cent down. Production—bearing in mind the 11-week stoppage which hit Massey-Ferguson last year—was 3 per cent higher.

Export aid

Tractor sales over the year probably would be 15 per cent lower than in 1977—an exceptional year in which farmers had plenty of profits from arable crops to spend. Deliveries of combine harvesters were down more than 10 per cent.

Mr. John Colman, president of the association, asked for better Government aid with exports. Grants and subsidies for machinery makers to show their products at overseas shows were not as useful as the Government might believe.

The money might be better spent on helping British companies show their machinery in action at foreign field demonstrations.

● A week ago, Massey-Ferguson announced a 20 per cent cut in the 4,700 workers employed at its two Coventry tractor factories because of a continuing slump in demand for tractors.

CBI opposes statutory role for engineers

By Our Industrial Correspondent

A CLEAR MAJORITY of members of the Confederation of British Industry is opposed to statutory registration of engineers, says the CBI in its evidence to the Finniston Committee of Inquiry into the engineering profession.

A Government agency that has no legal or financial responsibility is unlikely to give greater assurance of competence than the present system, the confederation insists.

And "enhancing the professional status of engineers is not an appropriate purpose for statutory powers. Professionalism is better enhanced by actions which earn general public respect."

The CBI adds that a minority view is held which suggests that industry has an interest in ensuring that the qualifications for registration of engineers are maintained at a consistently high level.

The confederation suggests that the quality of engineering graduates is a matter "of major concern." More school-leavers need to be attracted to engineering and to manufacturing industry to ensure improvements in quality.

Navy blast destroys wreck of Eleni V

The Eleni V is exploded.

BY PAUL TAYLOR, INDUSTRIAL STAFF

THE oil-laden wreck of the Greek tanker Eleni V was destroyed yesterday morning when a team of Royal Navy explosive experts blew up the vessel's remains.

Last night a fleet of spraying vessels was tackling two 300-yard oil slicks which appeared on the surface after the wreck went down.

The Department of Trade said efforts to disperse the slicks appeared to be succeeding and it was hoped the oil would not reach the coast 26 miles away.

Yesterday afternoon Mr. Stanley Clinton Davis, Trade Minister, rejected suggestions that the Department had been slow to act over the pollution threat. He also said that the total cost of the operation, excluding the cost of shore anti-pollution measures, will be about £2m.

For 24 days the bow of the tanker, which was sliced in two by a French merchant ship in thick fog eight miles off the Norfolk coast, had presented a pollution threat to East Anglia's holiday beaches. About 3,000 tons of heavy fuel oil are believed to have leaked into the sea from its fractured tanks.

The Greek and French authorities have promised investigations into the cause of the collision, which happened just outside British waters in an area where there are no major shipping separation lanes.

However, the focus of attention in Britain has been the way in which the Department of *Trade has handled its statutory* duty to deal with pollution more than one mile from the coastline.

Local people have felt increasing frustration as they have watched successive salvage plans fail and be abandoned. Meanwhile, beaches from Winterton in the north to Kent in the south have been polluted.

Department of Trade officials admit that the dispersants used to control the pollution, while relatively mild, have been only 30 per cent effective.

It was not until 12 days after the collision that Smit Tak, the Dutch salvage experts, were called in. By then much of the pollution had already occurred and initial plans to tow the tanker wreck into the Atlantic and sink it had been abandoned because of international conventions banning dumping.

The Department argues that it was necessary to stabilise the hull and evaluate options for its disposal before calling in Smit Tak. The Department also pleads "bad luck" working in adverse weather conditions and points out that the stern section of the vessel was successfully towed to Rotterdam shortly after the collision.

Smit Tak was on a £16,000-a-day contract to beach the wrecked bow section and pump the oil clear. However, this plan was abandoned on Saturday after no suitable beaching site could be found.

Overall, the Navy, RAF and three salvage and towing companies using dozens of vessels and divers have been involved in the operation.

Who will pay the final bill is not clear because it will be up to the Department and local authorities to file claims under the existing international and industry-based compensation schemes.

Fears for north-west's economy

BY RHYS DAVID, NORTHERN CORRESPONDENT

CONCERN that the position of the north-west's economy in relation to other parts of the country could be worsening is expressed in the latest report of the area's industrial development association.

Mr. Clifford Chapman, director, says that in 1968 the north-west accounted for 12.8 per cent of national unemployment, and by 1973 this had risen to 17 per cent. Now it stood at about 15 per cent.

At the same time, the region's share of job vacancies had fallen from about 12 per cent in the early 60s to just 8.5 per cent in early 1978. The region's ratio of 16.5 unemployed for each notified vacancy in January was higher than in any other part of the country.

Mr. Chapman also mentions the low fixed capital formation by industry per capita in the area which was below that of any other region in the latest available statistics.

Government spending in the area had fallen relative to other regions.

The most important projects to come to the area over the past year were a £70m. glass plant to be built at St. Helens by Pilkington, a £19.5m. expansion of chemical facilities at Whitehaven, Cumbria, by Albright and Wilson, a £15m chloride plant being built by BP chemicals at Sandbach and a £10m sugar chemicals plant to be built by Tate and Lyle at Liverpool.

Sunshine holiday continues

By Stuart Alexander

The Spring Bank Holiday continued for thousands yesterday as the rush for the holiday resorts moved into its fourth day.

Schools' half-term, annual shutdowns by several large industrial employers, and an extra day off being taken by many Government employees "for the Sovereign's birthday" combined to reduce the number of people going back to work and to swell the numbers still in the main holiday areas.

But there were no signs of mass absenteeism and a spokesman for the Confederation of British Industry said. "We have heard nothing on the absentee side. Quite a few companies are taking a week's holiday."

Demand for beer reviving steadily

BY KENNETH GOODING

THE STEADY revival in demand for beer continued in April so that by the end of the first quarter, production was 1 per cent ahead of the same period last year.

"But is is still too early to say if the beer market has recovered from last year's setback," the Brewers Society said last night.

Beer output last year fell by 1 per cent, the first time since 1969 that it had failed to make headway.

The brewers have been looking for an increase in production of between 1 and 2 per cent this year.

"If the fine weather continues through the summer, we are confident that last year's output will be comfortably exceeded," they added.

In the early part of this year, beer sales had to contend with wetter-than-usual weather and price increases on some products which began to take effect in February.

In April, production reached *3.26m bulk barrels (934m pints)*, up 2.3 per cent on the same month last year.

The brewers said the increase had reflected extra demand by the retail trade in readiness for the May Day bank holiday, together with April this year having an additional working day at the breweries compared with a year ago.

Output for the first quarter came to just under 9.5m barrels (2.74bn pints).

Liverpool Port has £4.6m trading profit

By Ian Hargreaves, Shipping Correspondent

THE Port of Liverpool suffered a sharp drop in business last year, but managed a trading profit of £4.6m—only the second surplus since 1971.

Sir Arthur Peterson, chairman of the Mersey Dock and Harbour Board, warns in his annual report that prospects for 1978 are less good than for last year, partly because of the investment backlog caused by five years of heavy losses between 1970 and 1975.

Lonrho textile plant closure will cost 246 jobs

BY LYNTON McLAIN, INDUSTRIAL STAFF

LONRHO TEXTILES is to close its Felling factory at Gateshead with the loss of 246 jobs.

On Friday the company, which is part of the Lonrho international trading group, announced a total of 400 redundancies at the former Brentford Nylons factories at Cramlington and Felling, but said nothing about any plant closure.

The Felling works, which manufactured dressing gowns and night dresses, will close at the end of August. The company blamed the depressed state of the textile market, cheap foreign imports and its own overcapacity.

Some of the Felling production will be transferred to the Cramlington factory in Northumberland. But there Lonrho Textiles has also issued 90-day redundancy notices, to 170 workers.

Cramlington workers have been on a three-day week for three months, but yesterday the company said short-time working was no longer viable. The subject of short-time working was now being discussed with unions.

Yesterday Mr. Alan Dixon, regional organiser of the Transport and General Workers' Union said earlier talks with the company had not included possible redundancies.

Short-time would probably continue in "certain areas, at the end of the production process," the company said.

Last year, the first full year Lonrho ran the Brentford Nylons factories, pre-tax profits were £3.14m, half the previous year's results, in spite a massive rise in textile sales from £42.58m in 1976 to last year's £61.04m. Lonrho bought the Brentford Nylons business for £9.8m in 1976, when the company described its acquisition as a "recovery prospect."

Mr. Basil West, finance director of Lonrho said last night that the closure and the redundancies were part of a "restructuring operation." The company has been badly hit by a switch in sales from all-nylon garments and household textiles to polycotton goods. It would now concentrate on manufacturing and selling polycotton products.

Co-ops in call to unite against private traders

BY ELINOR GOODMAN

DELEGATES at the Co-op annual congress yesterday passed a resolution calling on the movement to unite in the face of growing opposition from privately run traders.

The vote followed a day of debate which showed just how far from being a united movement the Co-op is at present.

Delegates representing the country's 206 retail societies revived the question of whether the two governing bodies—the Co-operative Union and the Co-operative Wholesale Society—should be merged.

By a slim majority, they supported a proposal calling on the Central Executive to put forward new plans for setting up a single national federation to co-ordinate the movement's activities.

The proposal was passed on a card vote, and the small majority suggests that some of the biggest societies are less enthusiastic about the idea than a year ago.

It seems unlikely that a single federation will be created in the forseeable future, as such a move would need the approval of all the retail societies.

The vote would again be on the one-vote one-society basis, and it was in this kind of ballot that the plan lapsed last year.

The question of whether the co-operative movement should unite to fight the opposition was seen as a separate issue.

The London society put forward a proposal asking congress to recognise the need for the movement to "mobilise its full national strength and to speak and act as a united movement in the present adverse trading climate."

It called upon the Central Executive to approach the CWS with a view to "rationalising, concerting and formulating national policies appropriate to meet the challenge of the contemporary trading scene."

Putting forward the proposal, a representative of the London society said that a great many societies were becoming concerned at the pressures on profits.

The full resources of the movement should be pledged in a concerted effort to strengthen moves by retail societies to fight back.

Attempt to allay Scottish isles fears

By Anthony Moreton, Regional Affairs Editor

THE GOVERNMENT has made an important concession to both the Shetland and Orkney islands in an attempt to keep them within a devolved Scotland.

Mr. Bruce Millan, Scottish Secretary, wrote to the two councils yesterday, stating that the Government intended to introduce into the Scotland Bill, when in comes back to the Commons from the Lords, a clause which would enable him to adjudicate on matters where a dispute had arisen between the islands and a Scottish Assembly in Edinburgh.

He intends to discuss this with the Shetlands Islands' officials when he visits Lerwick on June 5 and with their counterparts in Orkney the following day.

Before he arrives in the islands the officials are to meet in Lerwick to-morrow to align their policy and adopt a common front *on the question of their status.*

Mr. Millan has been forced to make this concession because of the strength of feeling towards devolution shown in a poll organised in the Shetlands by the council in March.

Future

Nine out of ten peopled polled said they wanted a special commission set up to safeguard their position if Scotland as a whole voted for devolution.

The Government is concerned that both Shetland and Orkney will vote against devolution. Mr. Millan is under strong pressure in Edinburgh to prevent, in effect, the islands from breaking away.

It had been expected that Mr. Millan would visit the islands immediately after Easter to allay their fears but the trip had to be postponed. Since then, the Lords have inflicted considerable damage on the Scotland Bill, although not in way that seriously affects the position of the islands.

Mr. Millan has told the islands in his letter that he believes their future lies in integration with Scotland.

● Irvine Development Corporation today launches a £5.2m programme to provide two advance factories and more than 350 houses.

● NEWS ANALYSIS—SEMI-CONDUCTORS

NEB decides to play for high stakes

BY MAX WILKINSON

THE National Enterprise Board, playing for high stakes, knows the risk it is taking in deciding to inject £30m to £50m into the notoriously volatile semi-conductor business.

It has decided to challenge the major U.S. and Japanese companies head-on in the highly competitive world market for standard mass-produced computer memories.

The venture has little chance of success unless it can penetrate the U.S. market which represents more than half of the total world demand for semi-conductors.

If it succeeds, a new NEB subsidiary company would become a major exporter and perhaps Europe's largest centre for mass-produced semi-conductors.

The business is risky because the mass-production of semi-conductors provides very little middle ground between success and failure.

Very large sales are required to cover overheads and development costs for standard circuits. Companies which fail to achieve these large volumes nearly all face large losses.

For this reason the three UK-owned companies in the business, Plessey, Ferranti and the General Electric Company have concentrated on custom-designed type of circuit where production volumes are low but margins are much higher. Special circuits for military equipment are an example of this category.

Components

Until recently the UK's general strategy has been to try to expand cautiously from this small corner of the "specials" market to produce "industry standard" circuits which are designed for special applications but are nevertheless required in large volume.

Components for the television or telecommunications industry come into this middle category. The market for each circuit though quite large, would probably be restricted to a relatively small group of customers.

The enterprise board, on the other hand, has gone for a much wider market of worldwide standards, particularly memory circuits which can fit into almost any computer made anywhere in the world.

The board's decision cuts straight across a two-pronged strategy of incentives carefully worked out by the Department of Industry in co-operation with the National Economic Development Organisation's Sector Working Party for the industry.

Officials and the industry representatives faced a major dilemma—that any semi-conductor products which could achieve high enough sales to make profits for British companies would also attract competition from U.S. or multinational companies which already have the advantage of large volume production and, could therefore cut prices.

The department's answer was first to suggest selective aid to the UK and some multinational companies like Mullard and ITT for developing the intermediate products with a special application but prospects of a reasonably large market.

Secondly, it suggested incentives to a mulnational company which wanted to develop mass-produced world standard circuits in the UK.

This strategy is still being worked out and may indeed go forward in parallel to the enterprise board's more ambitous plans to become a major world force in one jump.

The board's plan is based on a detailed study prepared for it by Mackintosh Consultants, who have prepared studies on the industry for, among others, the West German Government.

Neither the board, nor the consultants was yesterday prepared to disclose many details of the plan. However, success or failure clearly hinges on development of a product crypticaly called the 64k RAM.

In plain man's language that is a postage stamp sized piece of silicon on which microscopic transistors have been etched to provide 64,000 separate memory cells.

Only a few years ago a silicon "chip" containing 1,000 cells was something of a marvel. This year 4,000-element memories are being mass-produced and 16,000 element chips are beginning to appear.

The industry is generally agreed that the next stage is a jump to 64,000 cells per chip which will be achieved in the next two or three years.

Even at 16,000 elements per chip, the design becomes extraordinarily complicated. Perhaps only two dozen engineers in the whole world are really good at this type of design, and most of them are in the U.S. or Japan.

The enterprise board believes it has persuaded enough of these engineers, some of them expatriate Britons, to work for it, and it seems no reason why a top team backed with enough capital should not jump straight into the 64k market.

This in effect is what Nippon Electric, of Japan, has succeeded in doing.

Optimistic

Details of the Enterprise Board's new subsidiary are expected to be announced in about three months. The board is already looking round for sites and hopes to be in full production by about 1980.

After a build-up period of three to four years, some optimistic forecasts put the annual turnover at about £100m a year on a total investment of £50m. However, the Enterprise Board's initial plans are for investment of £20m to £30m.

The scheme was approved by the Cabinet at the end of last week. Detailed negotiations are now taking place with the key designers and managers who will form the nucleus of the new company. The company will be a subsidiary of the Enterprise Board, which is expecting to put up most of the capital.

The possibility of a joint venture with one of the established U.S. semi-conductor companies appears to have been rejected.

The board has come to the conclusion that the key to success is having a group of the right individuals rather than a particular corporate structure behind them.

Optimists point to the phenomenal success of Intel, the U.S. semi-conductor company which was started in 1969 by a group of key people from Fairchild, and has since grown to be one of the major producers of standard circuits on the basis of a few world-beating designs.

The enterprise board seems to have outflanked the GEC which is at present considering an alternative policy of buying a major American semi-conductor company, possibly Fairchild, or perhaps of setting up a UK factory for standard circuits as a joint venture with a U.S. leader like Intel.

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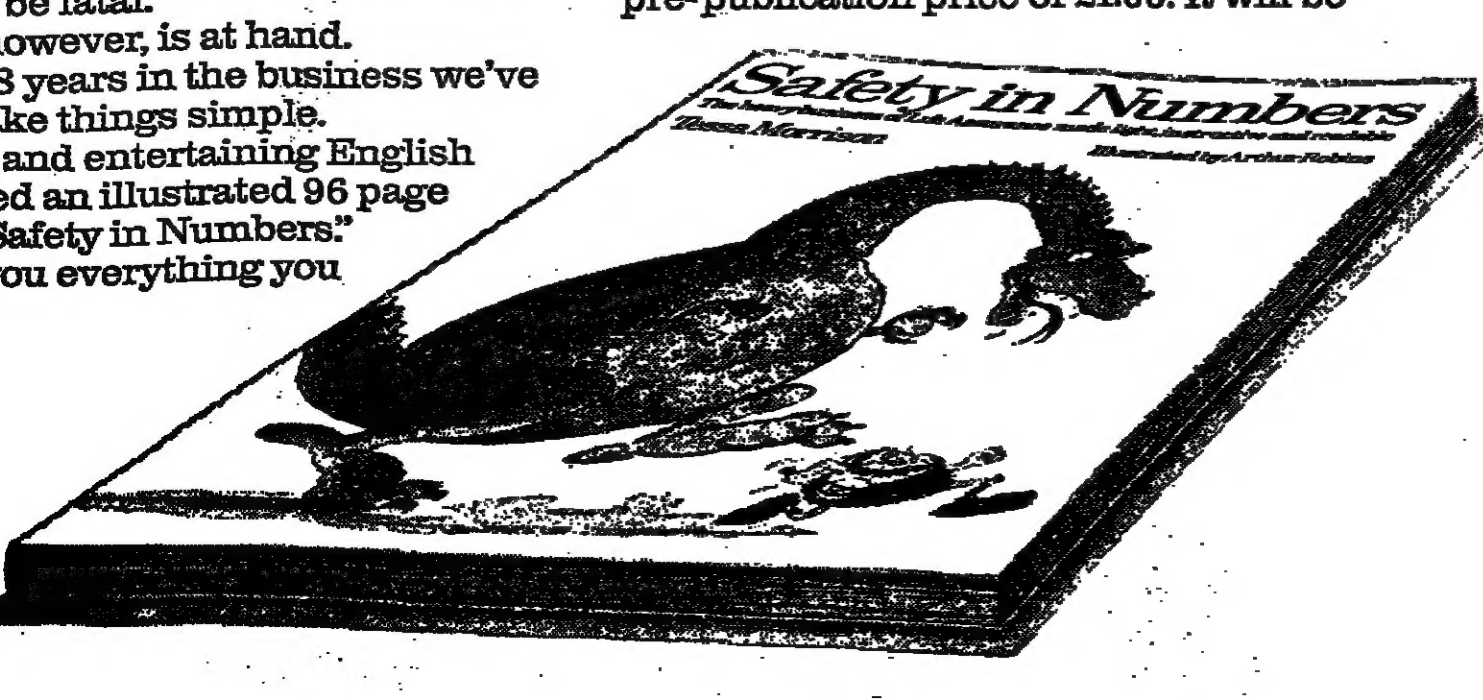

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HOME NEWS

Proposals to license asbestos work out tomorrow

By Lynton McLain, Industrial Staff

PROPOSALS to license asbestos insulation companies will be announced by the Government advisory committee on asbestos tomorrow. The move is an attempt to stop poor working practices among some companies.

Two reports from the committee will be considered by the Health and Safety Commission before recommendations are passed to Mr. Albert Booth, Employment Secretary, for possible publication as a consultative document.

The committee is expected to concentrate its licensing proposals on companies removing lagging from old buildings insulated with asbestos. A ban on spraying material containing asbestos is also to be suggested.

Other recommendations in a second report also out on Thursday will call for improvements in techniques for measuring and monitoring asbestos in air in factories where the material is used.

Limitations on the use of asbestos for thermal and acoustic insulation will be proposed where substitutes exist.

But the use of asbestos for fire protection and in cement will still be permitted.

Plea to end Manchester tangle

Financial Times Reporter

THE ENVIRONMENT DEPARTMENT is being asked to assist efforts to resolve differences between two local authorities over the future control and development of Manchester's Central Station site.

The 23-acre site has changed hands privately several times during the 10 years it has stood vacant.

The Department has indicated its readiness to make officials available if requested.

Councillor Norman Morris, leader of Manchester City Council, said yesterday that he had now given instructions for a formal approach to be made on behalf of the city.

This would ask the Department to invite representatives of his authority and Greater Manchester County Council to join with them in discussions on the situation

The city has had long-standing ambitions to acquire the site and develop it as a major conference and exhibition centre.

The present clash follows the breakdown of negotiations with the present owner, Mr. George Robinson, a Manchester demolition specialist.

UK tourism award for Brighton

THE Come to Britain Trophy, awarded annually by the British Tourist Authority, has been won by the Brighton Centre. The conference, exhibition and entertainment complex "was Britain's outstanding tourist development during 1977," says the authority.

The trophy was presented to Brighton Borough Council in London last night by Lord Donaldson, Minister for the Arts.

Plaques were also presented to four winners of special awards. In the private sector awards went to the National Centre for Alternative Technology, which researches food and energy sources at Machynlleth, Powys, and the National Trust's "Rescue at Erddig," a private house and estate badly affected by subsidence near Wrexham, Clwyd.

The Museum of London, in the City of London, and the National Theatre, on the South Bank, were the winners of special awards for public enterprise.

Lloyds Bank loan rate up

By Michael Blanden

CUSTOMERS of Lloyds Bank will have to pay higher rates for personal and home improvement loans.

The bank announced yesterday that the rate on a new personal loan over two years will be increased from the present 14.7 per cent to 16.7 per cent. This is equivalent to a flat interest rate on the initial amount of the loan of 8½ per cent

Heathrow passenger terminal warning

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MANY PROSPECTIVE air travellers to London will have to go elsewhere—perhaps to the Continent—if the proposed fourth passenger terminal at Heathrow Airport is rejected.

This warning was given yesterday by Mr. Norman Payne, chairman of the British Airports Authority, on the eve of today's opening of the public planning inquiry into the fourth terminal, at County Hall, Westminster.

The proposed £50m. terminal is intended to cater for another 8m. passengers a year, raising Heathrow's capacity from the present 30m. to about 38m. passengers a year by the mid-1980s.

So strong have been the environmental and other objections to the proposal, however, that the Department of the Environment has blocked the airports authority's plans so that the public inquiry can be held.

The inquiry, under Mr. Iain Glidewell, QC, is likely to take several months to hear all the evidence—it will not sit during August—so that it is not expected to complete its work until September or October.

There will be further delay while the Government considers its decision, so that a final answer may not come until next spring or early summer.

Mr. Payne yesterday made it clear that the terminal was essential, in the airports authority's view, if Heathrow was to be able to meet prospective demand.

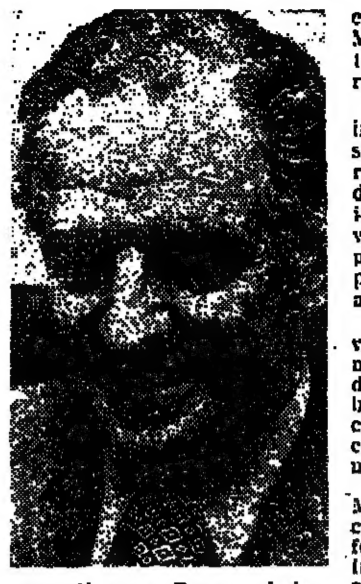
He added that the consequences which would result if neither Heathrow nor the London area airports generally were capable of handling the demand could be summarised as follows:

● Pressure of demand would force traffic at Heathrow and elsewhere beyond assessed capacity levels, with a consequent deterioration in the level of passenger service.

● Some traffic would divert to airports outside the London area.

● Some traffic would divert to airports on the Continent.

● Some potential passengers would not travel by air, and possibly not at all.



Mr. Norman Payne, chairman of the British Airports Authority, who warned that Heathrow may lose passengers to the Continent.

Mr. Payne stressed that in its evidence, the airports authority would be saying "very clearly that we will not be able to meet the anticipated London airports' passenger demand in 1985 unless Terminal Four is built.

"The current modification programme to increase the capacities of existing passenger terminals at Heathrow, which has been forced on the authority as a direct consequence of the Government's decision to cancel Maplin, has needed to be undertaken concurrently with their remaining in use.

"I regard it of paramount importance that the necessary steps are taken to avoid a repetition of last summer's conditions experienced at Heathrow in Terminals Two and Three, which on occasions resulted in passengers arriving at the airport and being subject to severe and chaotic congestion."

If Terminal Four were not provided as soon as possible it would mean "a return to similar conditions in 1984 and beyond, because sufficient alternative capacity at other London airports cannot be provided in time to meet the forecast demand.

"Since the cancellation of Maplin, Terminal Four has been central to the authority's policy for meeting South-East demand irrespective of the longer-term options that may have been available.

"It is the opinion of the authority that the provision of Terminal Four at Heathrow as soon as possible is essential to the proper provision of an efficient airport system to serve the London and South-East area and in the best interests of the UK generally."

While the inquiry into the fourth terminal at Heathrow is in progress, the authority says it will not pursue plans to develop Stansted to cope with 4m passengers a year against the present 300,000.

While the authority believes these is a long-term role for a busier Stansted, it considers that it would be wrong to embark on the necessary planning while the Heathrow terminal issue remains unsettled, and there is the likelihood of a similar inquiry into any possible second terminal at Gatwick.

Glasgow shuttle may be extended

BRITISH AIRWAYS is considering expanding shuttle flights between Glasgow and London this summer, with a new early-morning flight for the benefit of businessmen seeking early connections in London.

The shuttle—a no-reservations, walk-on, walk-off service which begain in January, 1975—has carried more than 2m passengers and is regarded by the airline as one of its most successful innovations.

Mr. R. E. Winyard, Scottish manager, has told Glasgow airport consultative committee that while he could not be specific about the starting date for additional shuttle flights, they were under consideration. The flights are run with 146-seat Trident Three jets.

The success of the Glasgow shuttle led to the introduction of similar operations to Edinburgh and Belfast. The possibility of extending them to Dublin and to such European points as Paris, Brussels and Amsterdam is being considered.

Maxwell not short-listed

By Our Own Correspondent

Mr. Robert Maxwell, the publisher, has failed to make the provisional short-list for prospective Labour candidate for Northampton South.

Mr. Maxwell failed to receive any votes among the 30 applicants.

A short-list of 10 has been drawn up which will be reduced to five on June 9. The name of the successful candidate to replace Mr. John Dilks, who has resigned, will be announced on June 16. The seat is held by Mr. Michael Morris, Conservative.

Mr. Maxwell failed to make the short-list for the Kettering Labour constituency earlier this year during the search to find a candidate to succeed Sir Geoffrey de Freitas when he resigns at the next general election.

Port of Tyne cargo figures

THE AMOUNT of cargo through the Port of Tyne in the first quarter totalled 1,232,703 tonnes —12,996 tonnes up on the same period of 1977, and not as reported in last Thursday's Financial Times

Britain links with U.S. on jet noise research

THE UK aerospace industry is collaborating with McDonnell Douglas of the U.S. on research into making jet engines quieter.

This summer, a British Aerospace HS-125 executive jet will start test flights from the Royal Aircraft Establishment, Bedford, of a new noise suppressor.

This is in the form of an attachment to the exhaust of a jet engine which improves the mixing of the hot exhaust gas with the colder surrounding air, thus reducing turbulence and noise.

The suppressor has beeen designed by McDonnell Douglas after five years research. Earlier tests with scale models conducted by Rolls-Royce showed promising results leading to the decision to undertake flight tests.

In the long-term, it is hoped the device can be fitted to airliner jet engines to help reduce their noise, especially at take-off and landing.

One in three companies have increased 'perks'

IN THE PAST YEAR nearly one company in three has increased office staff benefits other than improved pensions and more plan to do the same, according to a survey published yesterday.

The survey shows that many companies are unaware how much perks are costing them. They now amount on average to 40 per cent of salaries. The most common changes have been increased luncheon vouchers, better social facilities and more holiday and sickness pay entitlements.

Almost as many companies plan to introduce new benefits, with better holidays, flexible hours, loans and bonuses the most popular ideas.

These are some of the findings in a survey by Alfred Marks Bureau of 100,000 office staff in 336 concerns covering a wide area of industry and commerce. It is the company's fourth annual fringe benefits survey.

Few companies realise how much fringe benefits are costing them and 24 per cent of those questioned did not know. Virtually all the rest underestimated the amount.

The reasons for the growth in perks, according to the survey, are legislative changes on items like pensions and maternity leave, and pay restraint.

The survey found that 50 per cent of companies provided medical insurance for workers, 12 per cent paternity leave, 79 per cent life insurance, 53 per cent season ticket loans, 19 per cent help with mortgages and house deposits, and 20 per cent wedding presents. About 68 per cent of companies provided free tea or coffee.

Phone book advertising contract for tender

FINANCIAL TIMES REPORTER

THE POST OFFICE is to invite tenders for the contract to sell space in its 40m telephone books.

The tenders will be for selling advertisements in books to be published after the end of 1980, when the present contract with Thomson Yellow Pages will have expired.

It is one of the largest advertising contracts in the country, with turnover expected to be more than £30m this year

Thomsons Yellow Pages, a division of the Thomson Organisation, has sold space in directories since 1965, introducing Yellow Pages in 1966.

The Post Office said yesterday that there was no question of being dissatisfied with Thomson's work. However, since the contract with Thomson had been renewed uncompetitively for 15 years, it was felt to be time to test the market.

Thomson said that it recognised the Post Office's right to seek the lowest price for the job, and that it was confident that its expertise would place it in a favourable position for securing the contract once more.

● A telephone with a built-in "memory" was launched yesterday by Post Office Telecommunications.

It is a push-button telephone, into which the user can programme up to 10 numbers which he commonly calls. Each number corresponds to a single digit.

The new telephone will be available shortly in Glasgow and Bristol, then throughout the UK later in the year.

It will cost £5 for installation and £7 per quarter rental in addition to the standard charges.

Inventors face a cold climate

By David Fishlock, Science Editor

THE PROBLEMS of private inventors in Britain are likely to be intensified by the new European patent laws which come into force tomorrow, says a report published in the magazine New Scientist.

The new EEC laws and the Patent Co-operation Treaty are intended to make foreign patenting easier, but it will still be expensive. Moreover, a new British Patents Act which also comes into effect tomorrow will make it more costly for inventors to obtain a British patent, says the report.

"Trivial" inventions will no longer be patentable, and those which are granted patents should be stronger—changes which industry itself will welcome.

But the survey says that the advantages are less obvious for the small inventor, for whom a patent, however weak, may be an essential step in negotiating the sale of his idea.

After surveying the fate of 65 patented inventions on which it had reported over the past decade, New Scientist concludes that many worthwhile ideas are, by their nature, unlikely to be the subject of legally strong patent protection.

Since the National Research Development Corporation — the Government agency empowered to support inventors — often rejects ideas as "unpatentable," the survey concludes that a new form of sponsorship for small inventors is needed in Britain.

It suggests a scheme by which a small number of cash prizes might be awarded each year, of a size—perhaps £5,000 at most—large enough to permit the inventor to take his idea another step in the development cycle.

Augmenting this scheme might be "inventors' galleries" organised by engineers, where inventors could place their ideas on public display, and offer them for sale.

Chevron oil report only modest

By Ray Dafter, Energy Correspondent

TESTS ON Chevron Petroleum's latest North Sea oil discovery have produced only modest flow rates. More exploration will be required to determine whether or not the find is a commercial proposition.

Chevron said yesterday that the well drilled on block 2/10, about 80 miles east of the Shetlands had been plugged and abandoned.

The well, drilled by the semi-submersible rig Norjarl, tested oil flows in two zones. One flowed at a rate of 2,325 barrels a day through a 1½-inch choke while the other reached a flow of 696 b/d through a 1¼-inch choke.

Three previous wells have been drilled on the block, including one in 1975 which resulted in a "highly encouraging" discovery. This latest well was the first to be drilled by Chevron as the new operator on the licence, however.

The well was sunk as part of a deal involving the change of licence partnership.

As a result of the deal, Chevron has gained a 42.5 per cent interest in the block.

South-east rail commuters 'not given fair deal'

Financial Times Reporter

AN MP accused British Rail of putting commuters in south-east England at the bottom of its priorities

Mr. David Crouch, Conservative MP for Canterbury, has written to Mr. Peter Parker, chairman of British Rail, and to Southern Region, demanding an immediate improvement in timetable and services.

He has also tabled a Commons question on the issue to Mr. William Rodgers, Transport Secretary.

Mr. Crouch said: "People who spend £600 a year on fares are entitled to something better than British Rail is giving them.

"It may be wonderful to travel from London to Edinburgh in five hours on business expenses, but it is pretty rough having to commute daily from Herne Bay and Whitstable in dirty trains than frequently arrive late and which, since May 8, have actually been slowed up."

Record 36,322 book titles

BY JOHN LLOYD

BOOK PUBLISHERS' sales and profits continued to show steady growth over the past year, while magazine publishers' earnings generally stagnated.

A survey shows that book publishers turned over about £468m in 1977, £60m up on the previous year. Exports accounted for 29 per cent of turnover, leaving a domestic wholesale market of £286m, and a retail market of £370m, excluding £70m-worth of imports

Growth in real terms between 1976 and 1977 after adjustment for inflation was 1 per cent higher than the previous year but continuing a trend of slower growth

A record 36,322 titles, including reprints and new editions, were published in 1977. The survey comments that the number of titles was surprising "in view of the considerable financial strains being felt by publishers," and that the record may stand for some time to come

Profit margins of the main book publishers are still good. Nearly half the 50 selected for study in the survey had profit margins in 1977 of more than 10 per cent. The average price of a book last year was £6.58p.

In the magazine field, the survey shows that the sales revenue of magazine publishers for the year ending September 30, 1977, was £238m, up £21m on the previous year. Advertising revenue was £210m, compared with £173m in the previous year.

"Consumer" magazines account for 70 per cent of sales, and "trade, technical and professional" magazines for the remaining 30 per cent. In advertising, the split is about 50-50

Growth in sales and in advertising revenue is broadly in line with inflation. Only young women's magazines and general interest ones have shown growth above the index.

The largest exception to a generally sluggish market is IPC Business Press, which publishes more than 100 trade and technical journals. Sales increased markedly, and net profits more than doubled from £2m in 1976 to £4.3m in 1977.

Of the 40 groups selected for study by the survey, only 27 were earning higher profits than four years previously, a substantial decline in real terms.

Book Publishing: Magazine Publishing, available from Jordan Dataquest, Jordan House 47 Brunswick Place, N.1. £60 each.

Freight men in road plea to Rodgers

AN 11th-hour appeal to Mr. William Rodgers, Transport Secretary, to have the ban on goods vehicles using the 12 roads to the south of Windsor reconsidered, has been made by the Freight Transport Association.

The association wants the Minister to hold a public inquiry into the scheme, which Berkshire county council has so far refused.

The scheme, scheduled to start on June 14, will effectively ban through-traffic from a 40 square mile area, diverting lorries to other routes and increasing travelling time and costs, the association says.

LABOUR NEWS

Bank of England gives 500 notice at print works

BY NICK GARNETT, LABOUR STAFF

THE BANK of England has sent dismissal notices to 500 members of the Society of Graphical and Allied Trades who are in a closed shop dispute with management at its sole note-printing works.

The dispute has seriously hampered note printing at the works in Loughton, Essex, and has prevented all distribution of new notes for two weeks.

The bank said yesterday that the notices had gone to about half the works' note-examining force and its van drivers, among other groups, for breaking work contracts.

The dispute arose over a closed-shop claim for note examiners—only half of whom, says the Bank, are members of the society.

The bank has negotiated closed-shop arrangements for some groups of workers at the factory but has refused to in this case because, it says, the strength of society membership among the examiners does not warrant it.

About half the examiners have been prepared to work normally. Sympathetic action by van drivers in support of the closed shop claim has prevented all distribution since May 15.

The bank normally prints between 6m and 8m new notes a day for replacement of old notes. The bank says that the dispute has not had any significant effect so far on the currency in circulation.

Only notes printed between May 16 and 19 would have been distributed to banks for immediate replacement of old currency. New notes printed since May 19 were scheduled for storage by the banks as part of the Bank of England's control system on the introduction of new notes.

Reveille back after printers return

BY PAULINE CLARK, LABOUR STAFF

THE MIRROR GROUP'S Reveille magazine was back in full production yesterday for the first time in three weeks after machine minders in the National Graphical Association agreed to resume normal working.

The decision taken by 23 machine minders at a short union meeting in the morning raises Fleet Street's prospects of some respite at least from the surge of industrial relations problems which have plagued the national newspaper industry since the beginning of this year.

It was almost certainly influenced by the decision last Saturday of machine minders on The Observer to call off their unofficial action to allow the Sunday newspaper to resume production.

It also improves the climate in which print union leaders will be meeting on Friday to seek a solution to the problem of unofficial action taken by their members in Fleet Street.

Mirror Group management welcomed the return to work and, although this was not taken as a guarantee of uninterrupted production in the weeks to come, hoped that the machine minders' pay claim would be pursued through normal negotiating channels.

Members of the association, who work on a casual basis on Reveille and seven of whom also were involved in industrial action over a manning claim on The Observer, have refused management offers of productivity talks.

An agreement is said to have been made with London officials of the association to raise pay from £19.50 an eight-hour shift to £24, based on a reduction in staffing of three.

● Unofficial action by association members which has prevented publication of the Bristol Evening Post since Saturday was called off yesterday to allow a demand for improved sick pay to go through the disputes procedure.

Bristol United Press, the publishers, estimated it had lost more than a quarter of a million copies because of the dispute in recent weeks culminating with the dismissal of association members over the weekend.

Duffy hopes to calm Leyland pay revolt

BY PETER CARTWRIGHT

REBEL TOOLMAKERS at British Leyland Cars who are renewing demands for pay parity and separate negotiations face Mr. Terry Duffy, who succeeds Mr. Hugh Scanlon as president of the Amalgamated Union of Engineering Workers in the autumn, with the first major challenge to his authority.

As Midlands executive member before being elected by a convincing moderate majority, Mr. Duffy is under no illusion that success in taking the toolroom men with him depends largely on wresting the leadership of more than 3,000 dissident toolmakers from Mr. Roy Fraser, their unofficial leader.

Mr. Fraser took the AUEW members out on strike over the same issue a year ago last March. The strike lasted a month and caused nearly 50,000 workers to be laid off.

Because he is dissatisfied at lack of progress in dealing with the claim, Mr. Fraser is calling all BL Cars toolmakers to strike on June 12 as a one-day token of possible future action.

Mr. Duffy will meet Leyland shop stewards next week, ostensibly to report back on progress by the joint negotiating committee on pay parity and incentives. An original incentive scheme embracing shopfloors generally was recently rejected in a ballot.

New moves to resolve pit rescue dispute

EFFORTS will be made today to try to end a dispute involving 36 pit recue men in Yorkshire over productivity bonuses. Yorkshire miners have said they will strike from next week in support of the rescue men, and their action could spread.

A joint National Coal Board-National Union of Mineworkers' working party will try to find a solution to the dispute at a meeting in London today. Miners' leaders also meet today in Barnsley, and two mass rallies will be held in the evening.

The NUM wants a 100 per cent bonus under the national incentive scheme for the pit rescue workers. Their current bonus is 40 per cent, the same as that of typists.

Derbyshire miners could also become involved in the dispute, in addition to the 66,000 Yorkshire miners. The Derbyshire area council of the NUM has voted to support the rescue workers, though not for strike action.

Yesterday Mr. Leslie Story, general secretary of the white-collar section of the NUM, appealed to rescue workers to ignore the strike call. He said it was "completely unconstitutional," and that the union was on the verge of reaching an agreement on pay and conditions which would solve the rescue workers' grievances.

Findings by ACAS likely to prompt new upset

By Alan Pike, Labour Correspondent

THE CONTROVERSY over Advisory, Conciliation and Arbitration Service recognition awards will be fuelled today by publication of findings against a professional engineers' union in the public water service.

ACAS has decided against recommending recognition for the non-TUC United Kingdom Association of Professional Engineers for employees of water authorities in spite of strong majority support in the areas it wanted to organise. The association's claim was resisted by the established union, the National and Local Government Officers' Association.

The engineers' association has lost two previous recognition applications to ACAS both in the engineering industry, which involved the service's finding majority support for the association among sections of employees interviewed but refusing to recommend recognition on wider grounds.

A High Court attempt by the engineers' association to set aside one of the decisions, at the Bedford-based W. H. Allen Sons and Company, is pending.

ACAS has indicated in a number of recognition findings that, while the views of individuals directly involved are always taken into account, a decision is not made on this factor alone. The service is charged with the general promotion of good industrial relations and says that it has to take into account the overall effect of a recommendation.

In previous cases where ACAS has failed to recommend recognition for a union in spite of strong support, established unions and employers have opposed any interference with existing bargaining arrangements.

NALGO to call for shorter working week

TOWN HALL STAFF and other public service workers are expected to campaign for more time off during the next 12 months and a shorter working week is certain to be demanded when the annual conference of the 700,000-strong National and Local Government Officers' Association meets at Brighton next month.

The NALGO executive will support an unspecified reduction in hours, while Birmingham delegates want to go further and demand as a target a 30-hour week in all occupations.

NALGO's firm line reinforces manual union pressure for more leisure time and earlier retirement as ways of combating unemployment. A special report to be presented to the NALGO conference says a widespread shift to a 35-hour working week could produce nearly 1m. more jobs. But it tells workers bluntly that they will have to give up their overtime if they are to help their unemployed fellows.

Junior doctors seek to 'black' Leicestershire

By Our Labour Staff

JUNIOR DOCTORS in Leicestershire decided yesterday to call on the Council of the British Medical Association to back their stand against the terms and conditions of employment offered to junior staff by Leicestershire Area Health Authority.

The junior doctors' committee is already advising qualified people not to apply for jobs in the area. The junior staff voted unanimously to ask the Council of the BMA to place the area on the "important notice" lists in the *British Medical Journal*.

The lists are prominently displayed in the job advertisements section of the BMJ as authorities whose terms and conditions of service are unacceptable to the BMA.

Contracts offered to junior staff by the Leicestershire Health Authority were described at a meeting of the junior doctors' committee as a "travesty of the model contract and national terms agreed with the Department of Health and Social Security."

Firemen's union is insisting on recruitment drive

BY ALAN PIKE, LABOUR CORRESPONDENT

UNLESS LOCAL authorities begin a recruitment drive, firemen will believe they have been "conned" by promises of a shorter working week, the Fire Brigades Union said yesterday.

The union, which meets the employers on Friday to discuss the shorter working week, warned in a special issue of its journal that firemen would argue that if they could not win their shorter hours by negotiation "they will be forced to take it themselves."

A commitment to a reduction of working hours from 48 to 42 per week was involved in the agreement which ended the first-ever national firemen's strike in January.

The union complains that after more than four months there have been "no meaningful negotiations" on the issue.

"Not a single man has been recruited towards the substantial addition in manpower which will be needed if present standards of cover and appliance manning are to be maintained when the 42-hour week becomes a reality," says the union.

Union negotiators do not expect to approve of some of the proposals for achieving the 42-hour week which the employers side will announce on Friday.

They know that the employers prefer the idea of a three-shift system—the union favours the existing two-shift arrangement—and have considered including more non-firefighting work in normal duties.

Such thinking, says the union, is "totally at variance with the concept of a modern fully-trained technical fire service and the job of a qualified fireman."

The union says it would be naive in the extreme not to realise that a review of fire cover and manning being sought by the employers "would be aimed at making financial savings by reducing standards of fire cover and as a consequence cutting wholetime manpower."

Lincolnshire fire authority, says the union, has already produced plans to reduce its wholetime strength by 37, representing a 20 per cent cut.

هكذا من الأهل

ACT NOW LEAVE THE COUNTRY

Every year is an export year. 1978 is no different. The Financial Times believes that there is a vital and very positive contribution that British business can make to increase exports.

Which means companies like yours getting their top salesmen to leave the country. To go out into the World markets and sell, sell, sell.

By publishing an extensive Survey on British Exports on Tuesday June 27 the Financial Times will be taking the opportunity to re-appraise the export performance of British Industry.

It will be a timely and in-depth analysis of the aims and achievements of our exporters on a wide variety of fronts (as the editorial synopsis below shows).

And it will also do an important job of promoting these achievements to a wide and influential audience both at home and abroad.

If exporting products, technology or services is essential to your company's livelihood and expansion, you must have a success story or two to tell.

Make sure you tell it loud and clear.

Consult your Financial Times representative for details of advertising space and rates or contact Clive Radford on 01-248 8000 Extension 7048.

Besides contributing to the good news about British business it could also help win you more orders.

Which is just what everyone needs to make this a year to remember.

Editorial Synopsis

Introduction A general review of Britain's export performance in the past year; our share of world trade: the impact of fluctuating currencies; the major success stories; the outlook for world trade and Britain's share in it.

The Industries This section will deal in some detail with the industries which provide the major part of the country's exports. The first article in the section will examine the composition of the major sectors. This will be followed by a series of articles examining the performance of these sectors, their share of the world markets, their main competitors, their strengths and weaknesses, and the prospects and problems which they face in the coming year. These individual sector articles will include: Mechanical engineering/Aerospace/The motor industry/Textiles and clothing/Electrical engineering/Electronics/Chemicals.

The Companies This section will examine the role of individual companies in the country's export effort. The first article in this section will examine the structure of exports in terms of size of company, indicating the importance of the hundred largest exporters. This will be followed by a series of profiles of six successful exporters of varying sizes; these profiles will discuss the way these companies manage their export sales, their attitudes towards export business and their plans for the future.
This section will also include a number of shorter articles on some of the major export contracts which have been secured by British companies in the past year.

The Markets This section will analyse the geographical pattern of the country's exports, showing which areas have shown the most growth in the past year and discussing likely changes in the direction of exports. The first article in the section will be followed by a more detailed look at the main areas, noting the special trading problems which some of these territories present, the strength of overseas competition and the exporting strategies that seem most likely to succeed. There will be separate articles on the following areas: North America/Western Europe/Eastern Europe/Middle East/Far East/Japan/Africa/Australasia/Latin America.

The Financing of Exports The role of the clearing banks. A look at how the banks deal with the financial problems of exporters, including the special problems posed by performance bonds and other difficult contract conditions.
The role of the merchant banks. A look at how merchant banks assist their clients to devise financial packages which are often as important in winning the business as the quality and price of the products.
The role of ECGD. A look at how ECGD has widened and improved its range of services to cope with changing conditions.
Floating currencies. How the world of floating currencies has complicated the exporter's life; the impact on pricing policies; how exporters can protect themselves against changing currency values.

The Role of Government The Department of Trade. How the Department helps exporters; the range of services and financial assistance; how exporters use these facilities.
The industrial strategy. A number of Government's sector working parties have made recommendations designed to stimulate exports; are these suggestions likely to be implemented and what effect will they have?
The competition. Is it true that other countries' governments provide more support to exporters than our own?
A comparison of the service provided and the policies pursued.

Invisible Earnings The concluding section will look at the importance of invisible earnings in the country's trade performance and their growth prospects.

A FINANCIAL TIMES SURVEY
BRITISH EXPORTS-TUESDAY JUNE 27 1978

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● COMPONENTS

More power from diesel engines

AT NO EXTRA cost to the customer, Petter, a Hawker Siddeley company, has engineered a 10 per cent. increase in the power output of its PH1 and PH2 diesel engines.

The single-cylinder PH1 has been uprated to 10.75 bhp, and the twin-cylinder PH2 to 21.5 bhp. Both are widely used in the construction industry on dumpers and cement mixers, and for continuous duty applications, such as power generating sets, and for water pumps, when reliability is of prime importance.

Petter has increased the output speed by 200 rpm to 2,200 rpm on both engines, anticipating the growing cost-consciousness of end-users who want to obtain more work from their equipment, while avoiding the risk of the expensive breakdowns suffered by over-stressed, under-powered units.

Petter manufactures air- and water-cooled diesel engines of up to 45 bhp with worldwide sales and service.

More on 01 930 6177.

Makes it easier to project films

PROBLEMS of effective and reliable endless loop 16mm film projection have been resolved by a new loop absorber, introduced by Elf Audio Visual of Slough. Departing from conventional design concepts, it is mounted, and feeds, horizontally. Elf says it has a vastly improved design which incorporates unique features, yet still gives simple and reliable operation.

Elf LAE2 loop absorber is designed as a free-standing turntable which enables it to be operated with virtually any 16mm projector without the need for adapters. No special loop formers are required. To lace the film it is first loaded on the motor driven turntable which takes up the film in a similar manner to that of a standard film spool.

Film capacity is 1,000 feet allowing 20 minutes running time. A simple servo system is incorporated on the rim-driven turn-table. This is activated by a control arm round which the film is laced. Any movement of that arm operates the system either to reduce or increase running speed.

The motor-driven turntable which feeds the film into the projector is sprocket-free, thereby minimising perforation wear. The turntable principle of feed and take-up practically eliminates film tension. Should it occur excessively an automatic cut out device shuts down the projector. A microswitch unit cuts out the projector should the film break. Because the film is resting on its side, risk of wear to the face is minimised.

Elf Audio Visual, 836 Yeovil Road, Trading Estate, Slough, Berks.

● CATERING

Watching the races in comfort

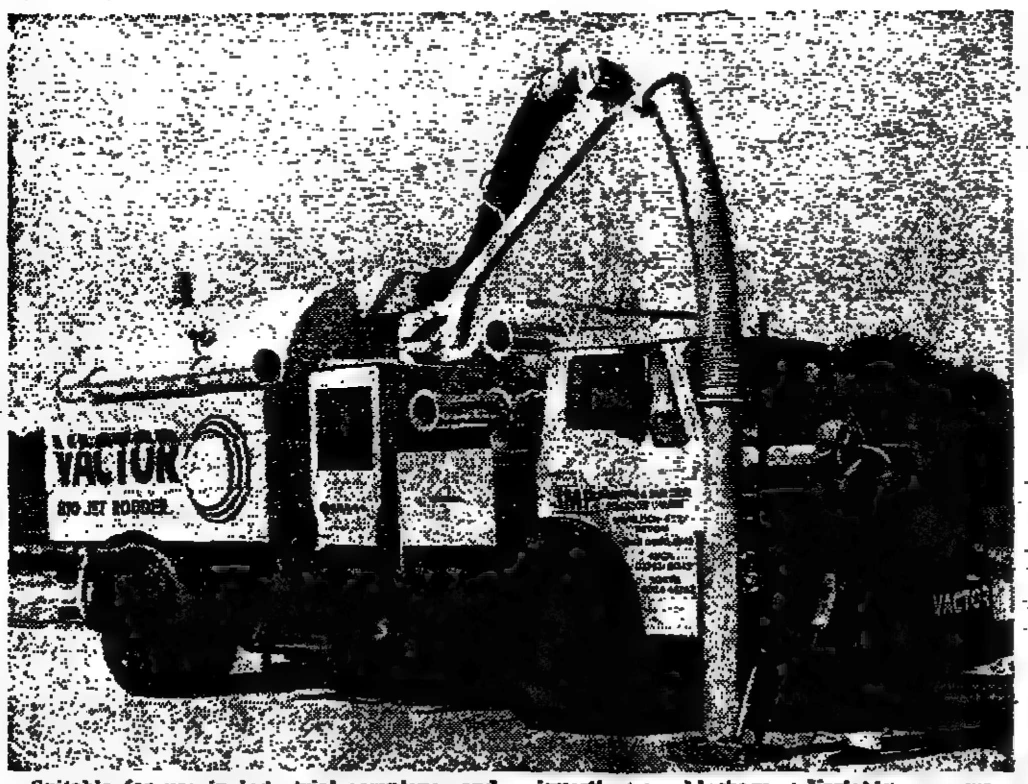
THE POINT to point finals at Chepstow racecourse, May 20, was the venue chosen by BMW GB to launch its mobile hospitality unit, called the Panarcama.

Intended as a luxury mobile suite for entertaining, or wining and dining the company's clients and their customers, the unit is described as a mini version of the Sydney Opera House. A special canopy can be spread to give a total covered area of 1,200 square feet, embracing an air conditioned restaurant on the top floor for ten people, with downstairs accommodation for 30, and includes stereophonic sound and video equipment.

The "second floor"—an 18 feet long room—is walled with tinted glass and can be raised and lowered hydraulically. When raised 2 metres above the unit's four metre high body, guests are able to have a grandstand view. The 40 feet trailer is towed by a turbo-charged 280 horse power MAN tractor unit.

Designed and built within six months, the unit is the brainchild of a Wellingborough (Northants) company, David Earl Associates. BMW will continue outdoor entertaining at Henley Regatta, the World Dressage championship at Goodwood and will cross the channel to Le Mans for the international 24-hour race.

More on 01-560 3267 or 568 9153.



Suitable for use in industrial complexes and by local authorities this equipment, designed for cleaning pipelines and sewers, is to be used in a service operated by Industrial and Municipal Pollution (IMP) of Winkleigh, Devon (083 783 555). The equipment which is fitted on a two-axle 16 tonnes chassis includes an independently powered centrifugal compressor which will lift solids and liquids into its 6 cubic metre tank. Another powerful device is the high pressure jetting and rodding system claimed to eliminate the need for anyone to go below ground to investigate a blockage. Variable pressures up to 140 kg/sq cm can be provided and IMP says pipelines from 100 mm up to 1,000 mm diameter can be cleaned at rates up to 150 metres an hour. When the vehicle's tank is full the operator drains off the liquid to leave only solids and this operation can be carried out several times before the need to dump the solids arises. IMP claims that its machine eliminates the need for separate jetting equipment, gulley emptiers, skips, buckets and winches and that only one man is needed to carry out a cleaning service.

● COMPUTING

Smooths the flow of trade

SITPRO—Simplification of International Trade Procedures Board has completed a major project on standards for data used in computing applications concerned with international trade. Data standards are particularly relevant there in view of increasing demand that computers be able to prepare documentation process messages from other computer systems, including those in other countries. SITPRO's work will remove one of the handicaps to the growth of international trade.

Nearly 200 UK organisations have contributed to the standards work, and at the international level SITPRO has also co-operated with the United Nations and International Standards Organisation.

A significant feature of the standards is the data element glossary, with recommended formats and coding systems suitable for in-house use and for the exchange of data between computer systems. These standards cover the major international trade data requirements for exporters, importers, carriers, agents, port authorities and Customs and Excise.

The standards cater for all combinations of trade data interchange, whether via communications links or by physical media such as magnetic tape. They apply to any make of computer or transmission equipment. They will be available next month in the form of a comprehensive reference manual.

More from SITPRO, 11 Waterloo Place, London, SW1Y 4AU. 01-839 3593.

Fits in a small space

A LOW PROFILE completely packed 8-bit microcomputer, from the Computer Products Group of National Semiconductor Corporation, requires only 3½ ins panel space in a standard 19 ins rack. Based on the BLC80/10 central processor board using the S8080A microprocessor, the rack-mounted unit incorporates programmable serial and parallel input/output, complete busing, power supply, fans and three expansion-board slots.

The microcomputer has six general-purpose 8-bit registers, an accumulator, a 16-bit program counter and a 16-bit stack pointer. The registers may be used singly or in pairs for double precision operations. The 16-bit program counter allows direct addressing of 64K bytes of memory. The stack pointer permits storage and recall of register contents anywhere in random access memory, while servicing interrupts and subroutines. The RMC 80/10 has six interrupts, four of which may be individually—program—mask selected for serial and parallel peripheral control; two are user-specified.

The BLC 80/10 cpu has 1K bytes of on-board random-access memory, and four sockets for up to 4K bytes of programmable read-only memory. Two of the ROM sockets may be used for an optional system monitor for loading, debugging and executing programs. The monitor permits reading and punching of paper tape, display and change of memory register contents, and program segment execution. Monitor commands and information are printed or displayed on a Teletype or video terminal.

National on 0234 211262.

Analysis of circuits

MAKING use of Control Data's Cybernet network, the Institution of Electrical Engineers is now offering a computer-aided circuit analysis service.

Engineers and scientists (who do not have to be IEE members) can submit analogue and digital circuits for linear and transient analysis, statistical and stress analysis, logic test generation and simulation.

Main advantage is that the user will not have to become familiar with any aspect of the system itself, so that their employers will not have to invest in staff training or in computer terminal equipment.

● MATERIALS

Lead sheet in building

REPLACING "The Plumbers Handbook" (which, in its various editions, has been accepted as the standard reference for over a quarter of a century) is a completely new work on both the traditional and modern uses of lead sheet.

Said to be the definitive reference work for all those designing and working with this material, "Lead Sheet in Building — A Guide to Good Practice," is written by Charles Knight and Richard Murdoch, respectively, the former and current experts on lead in building for the Lead Development Association.

The authors have worked closely with architect-turned-graphic designer, Donald Dewar-Mills, whose numerous cut-away isometric drawings illustrate the writers' advice. A full colour section showing a selection of recent work, both large and small, is included in the 108-page guide.

Copies are available free from the LDA at 34 Berkeley Square, London W1X 6AJ (01-499 8422).

Withstands the heat

TAC LIMPET insulation board, which contains no asbestos, has received approval for fire protection periods of up to two hours to steel columns and beams in a series of tests which for the first time has established the thickness of insulation board necessary to protect beams and columns of differing sizes and mass. The approvals result from tests carried out at the Fire Research Station, Borehamwood, and Warrington Research Centre.

TAC Construction, POB 22, Trafford Park, Manchester M17 1RU. 061 872 2181.

Fluid has wide range

DEVELOPED BY Hygrotherm Engineering is a thermometric fluid which can be used in thermostatic controllers and similar devices to cover the range zero to 38degC.

Normally, states the company, device manufacturers are obliged to use different fluids for various segments of the overall range. Now, ordering, stocking and manufacture can be simplified by the use of the new fluid, which is called Hyfill A.

An additional advantage of the fluid is that it acts as an automatic sealant if the system containing it is punctured. The leaking fluid reacts with atmospheric moisture to produce an impervious reaction product which effectively seals the leak; rate of reaction is proportional to the atmospheric humidity.

Hyfill A has a viscosity at 20deg.C. of 96 centistokes, and the coefficient of expansion over the range 20 to 100deg.C. is 0.000775.

More from the company at Botanical Avenue, Manchester M16 0HL (061 872 6861).

A cut in price

SUGGESTED FOR back-sprayed or silk-screened second-surface applications—particularly for sign components, illuminated poster boxes and small fabrications—is an extruded acrylic sheet marketed by Rohm and Haas, Lennig House, 2 Masons Avenue, Croydon, Surrey, CR9 3NB.

Produced from Oroglas acrylic moulding powders, yet 25 per cent cheaper than Oroglas G cast acrylic sheet, the new product is called Oroglas VX. It is available in clear and opal in sizes ranging from 2,000 mm by 1,000 mm to 3,030 mm by 1,250 mm and in thicknesses from 1.5 mm to 5 mm. More on 01-686 8844.

● PROCESSING

Takes out the gas

VACUUM PLANTS have been announced by Leybold-Heraeus for removing hydrogen and oxide impurities from molten aluminium and aluminium alloys.

The company maintains that these equipments, designated ALE 150-500 are cheaper to install and run than chlorine treatment plants and are less of a health hazard.

Usually the operation would take place between tapping and casting and up to 1.5 tonnes can be degassed. The graphite crucible holding the molten metal is surrounded by a vacuum tight chamber encased in a heat insulating hood. The pressure is quickly brought down to the range 0.5 to 3.0 millibars, and the melt boils as it gives off hydrogen.

After a few minutes it is relatively gas-free and oxide scum can be skimmed off the surface of the metal as the crucible is removed from the vacuum plant.

Relatively little heat is lost during the short process, but if the time is extended for any process reason the unit can be provided with heated hood. More on 01-858 1127.

● *By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*

● EXHIBITIONS

Attractions of Paris

THE FRENCH say that last year nearly 300,000 visitors from abroad (20 per cent of whom came from outside Europe) attended specialised exhibitions at the three exhibition parks in the Paris region and other parts of France.

Their 1978 programme for Paris included such sectors as the home, clothes, sports and leisure, mechanical equipment, electronics, food and agriculture. By the end of this year, 47 different exhibitions will have been held, 42 in Paris and the other five in different parts of the country.

More from French Chamber of Commerce House, 54, Conduit Street, London W1R 9SD (01-439 3964).

● SERVICES

Looking for trouble

THE MAIN problems in industrial furnaces are faulty combustion and poor installation, says Hotwork Services, a subsidiary of the Yorkshire-based combustion engineering group, Hotwork International.

The company's engineers are now providing an industrial process fuel economy service and are to conduct a thorough audit of existing furnace equipment and compare the fuel costs with the output required. From their findings a course of rectification action will be initially proposed involving the burners, refractories, control equipment, type of fuel used, and air/gas mixture ratios.

More details of the scheme from the company at Earlsheaton, Dewsbury, West Yorkshire. (0924 463325).

FINANCIAL TIMES SURVEY

Wednesday May 31 1978

Design in Industry

Britain's industrial achievements consistently suffer from the poor design of its products. In this Survey SUE CAMERON and CHRISTOPHER LORENZ analyse the reasons for this and the efforts being made to improve design techniques.

Poor record in UK

EARLIER THIS month a Parliamentary select committee on science and technology was told that both the U.S. and Japan had a "high regard" for the inventiveness of British industry. What neither country could understand was why the UK had failed to exploit ideas "which could lead the world."

It is not only in product innovation that Britain has a poor record. Design overall has proved to be the Cinderella of UK industry and this is reflected in the nation's weak *performance compared with that* of foreign competitors. In a paper presented to the National Economic Development Organisation last year, Lord Brown, former head of Glacier Metal and a former Trade minister, said it was now generally accepted that too many British companies were being outpaced by their foreign rivals in product design.

"International competition in many industrial fields is steadily shifting *from price comparisons* to design comparisons," Lord Brown said. "In a growing number of sectors, production of volume products has ceased or *is diminishing* because UK companies have been out-designed by foreign competitors.

"Department of Industry figures constantly disclose a growing sophistication of design of imports as compared with home production. As far as international figures can be trusted, they show that the resources spent by foreign companies on product development often exceed by large margins those spent by equivalent British companies.

Statistics compiled by the UK and other OECD governments prove that British industry is far less willing to invest in research and *development of* products than her European counterparts. The figures show that in the decade between 1963 and 1973, industry-financed research and development increased in all OECD countries except the UK, in real terms.

In Britain the investment rate in this vital area simply stagnated and this meant that the U.K.'s position relative to other countries declined sharply. In 1963 Britain was investing in research and development at about the same level as West Germany. Ten years later the U.K. rate was well below those of Germany, Japan and France, which are all major trading competitors.

In some industries the proportion of resources allocated to research and development has actually declined since the 1960s. The steepest decline has been in ferrous and non-ferrous metals, mechanical engineering, fabricated metal products and electrical and electronic engineering. The only strong upward swings have been in chemicals and shipbuilding.

It is partly—though not entirely—because of this relative decline in the U.K.'s investment in research and development that Britain's product design standards have failed to improve. In 1976 the Design Council brought out a report on engineering design education. The picture this drew of British *engineering design was a bleak* one.

Effort

All this is in sharp contrast to more successful trading nations such as Japan. Mr. Alan Williams, Minister of State at the Department of Industry, says that on a recent visit to Japan he was impressed not only by the high investment levels in research and develop*ment there but also by the con*stant, unrelenting effort the Japanese put into their product design. He found that in a number of Japanese companies well-co-ordinated design teams were working on product possibilities up to ten years ahead and on existing product developments three to five years ahead. At the same time Japanese concerns encouraged their designers and their line workers to consider ways of *improving current products for* the following year.

The evidence that Britain is lagging seriously behind her competitors in product design and that this, *in turn, is having* a dire effect on her ability to export, is overwhelming. It is so strong as to make UK industry's continuing indifference to design something of a puzzle. Yet there are a number of reasons *for the present state of* affairs.

British consumers, whether domestic or industrial, must take part of the blame. For years now they have shown a distinct lack of discernment in buying. It is a little unfair to suggest that Britons will put up with any old rubbish—but only a little. It has even been argued that most members of the British public are "visually illiterate" and this is why they are prepared to buy badly designed goods. Consumerism, it should be noted, has only just begun to gain ground in the UK as a lobby demanding the highest design standards. In *other countries, particularly the* U.S., it has been a powerful force for a long time.

The Americans, the Germans, the French and the Japanese will not accept products which have a low quality of design. And they are prepared to pay extra for better goods. There is reason to believe that, given the choice between bad and good design, the British will pay higher prices for the latter too. French textiles, Japanese cars and German television sets are not necessarily cheaper in Britain than the ones that are manufactured here but they still sell in the UK.

It is also noteworthy that the upward valuation of the D-mark and the Yen does not seem to have hampered the expansion of German or Japanese exports. *This* was one of the points stressed by the Prime Minister when he spoke to the Society of Industrial Artists and Designers last year.

"It is the well-designed goods which the world is prepared to pay for," he said. "Of course we must put new investment into plant, of course we must get more output and productivity; the prices of our products must be right; they must be delivered on time and our after-*sales service* must be first-class. But that isn't enough. We must make sure that we produce the goods that are really wanted by people in the market place, both in this country and abroad."

Another reason for Britain's poor design record is the recession of the past few years. Research and development costs and designers' costs, whether in-house or outside consultancies, have often been among the first items to be cut from a company's budget once the need for retrenchment became clear. An undemanding domestic market made such cuts all the easier.

Lord Brown, in the paper he prepared for NEDO, suggested the mystique that sometimes surrounds designers in industry might be another factor in the UK's performance in the field. He said this could be a result of Britain's strong university tradition, particularly in the research area.

"Research and development is regarded not only by those engaged in the occupation but also by many managements as a unique type of employment quite different from production and marketing," he said. "This leads to the assumption that while it is possible to allocate specific tasks within time targets to the latter, such an approach is not possible with research and development.

Tasks

"*If*, however, it is assumed that it is unreasonable to set product design tasks in terms of parameters of need and time, then there is no real possibility of product development matching the overall future strategy of the company. Such failure will tend to reinforce the idea that co-ordination of the efforts of designers with those of production and marketing departments is excessively difficult." The whole question of design management is a vital problem for British industry. All too often this is a thoroughly haphazard affair, and as Lord Brown suggested, it is frequently felt that it is hard to apply management skills to design.

As a result, good design management tends to depend solely on the initiative and far-sightedness of a *company's chief* executive. If he is interested in encouraging design and in co-ordinating the design function with those of production and marketing then the concern probably stands a good chance of being highly successful. But the figures suggest that far too many managing directors do not have the necessary vision.

Furthermore, it can be argued that in all but the smallest organisations it is unreasonable and inefficient to expect one per*son to take full responsibility* for design management. Companies of any size should have design managers just as they have marketing and production *managers. There should* also be a Board member who includes design in his portfolio so that it is always considered at top level.

Design should also play a more important part in management training—at present it is often left out altogether. At the same time the education of industrial designers—those concerned primarily with a product's appearance and ease of handling—and of design engineers could also include some element of marketing and production.

The UK has no shortage of people with the talent and skill to invent new products and to develop existing ones to the highest standards. And it is clear that this is something of which our foreign competitors are well aware. It is also true to say that while the overall picture of British product design is grim, there are a number of companies, small and large, which have earned excellent reputations for their designs, both at home and abroad.

The Design Council's awards and its design index of British goods are witness to this. Since it was first set up the Council has worked hard to boost the best in British design. Up until the last year or so it has been a lone voice, listened to mainly by the converted.

One of its major tasks now must be to increase UK industry's awareness of the importance of good design. With the Government at last giving a stronger lead to manufacturing concerns in this field, it is possible that Britain will begin to realise her design potential.

S.C.

Why innovation is crucial

"Britain's design expertise must be co-ordinated with the industrial strategy if we are to improve the country's industrial competitiveness."—Eric Varley, Secretary of State for Industry, May 18, 1978.

To which the visitor from Germany, Sweden, Switzerland or Japan would reply: "Well, yes, of course. But what's new in that? We've realised it for years."

The problem, of course, is that it is only in the last year or so that the crucial role of design—both engineering and what has become known as "industrial" (*largely aesthetics*)—has been realised in the corridors of political power. In industry it is still largely unappreciated, or paid little *more than lip service*. So statements of the obvious from Mr. Varley are all too necessary.

As with so many other facets of modern industrial life, we are once again the major exceptions to the European rule—and we pay the consequences month after month, as we surrender one product market after another to foreign competition.

The failure, even now, to understand the magnitude of the problem attests to our blindness *to the outside world*. Take just the last decade (though the signs were visible well before that). At least three key international trends should have suggested the *urgent need for* better engineering and product design in British industry. The trends have been dissected and discussed by economists and politicans alike, and all sorts of other consequences drawn, but somehow design has seldom rated a mention—let alone a thought.

● First, *the continued success* of German and Swiss exports despite an almost incessant revaluation of the two countries' currencies against all their foreign *competitors*—and consequent complaints from German and Swiss industrialists that their export markets were about to be ruined. After a *decade of* "crying wolf" many Germans, in particular, claim still to be foxed by the reasons for their continued success.

The reasons all fall into the category of what economists call "non-price competition." Keeping to delivery dates is one of them—a message that *has* now been drummed into the consciousness of every British businessman.

Of at least equal, and probably much greater importance—particularly if experience in the textile machining sector proves *generally applicable; see* the special article later in this survey—is everything that goes under the heading of "design": the product's cost-effectiveness; its reliability; its *suitability for* the job and the market at which it is aimed; its marketing back-up; its ease of maintenance; and, of course, its ergonomics and appearance.

Anyone who has compared, say, domestic electrical appliances *in* the UK and Germany will have long ago come to the conclusion that the British problem is generally one of cheapness, in both quality and price.

Last *year* semi-academic respectability was added to this line of argument, *for British engineering as a whole*, in a study by the National Economic Development Office. It concluded that "the UK tends to turn out products of lower unit value than Germany or France" and that "the improvement in price competitiveness resulting from devaluation by itself does nothing to reverse this trend. To tackle this problem requires separate action, which is what the industrial strategy is about."

● The second factor which has been obvious for several years is the increasing tendency of the less developed countries to compete with the long-industrialised *nations. What is only* now becoming appreciated in British industry is that this challenge will not be confined to mature and basic products like *textiles, shoes and steel*, but is already growing in "intermediate" products (ships, cars and basic machine tools, for instance), and will soon *even develop in relatively high*-technology items (electronics is the most obvious example).

● Add to this the third factor.

CONTINUED ON NEXT PAGE

Analysing failure . . .

MOST COMPANIES are all too ready to forget their design failures—usually because the managers concerned have no wish to prolong the agony or draw even more attention to the loss of face they will have already suffered. It is an extremely rare organisation which takes the trouble to dissect the reasons for a failure, and learn from it.

It is for this reason, rather than because it is a particularly unsuccessful industry—the truth is the reverse—that the British textile machinery sector offers an illuminating case study of the causes of success and failure in product design.

Not only have a dozen companies in the field allowed themselves to be investigated by independent researchers, but one of the industry's leaders, Stone-Platt, recently bared its soul to the world, and gave a step-by-step account of how it managed to design a complex machine which was both better and cheaper than its predecessor. Its story provides an unusually searching insight into the management of design in a complex manufacturing industry.

The sector's suitability as a design "case study" is further enhanced by the existence of a survey of the reasons why nearly 100 UK textile companies bought foreign machinery over a ten-year period; in those cases where UK machinery was available, two-thirds of the reasons for "buying foreign" related to the performance or "quality" of the machine—in other words, to its design—rather than to such matters as price or delivery dates.

There is no doubt whatever about the importance of good product design to the success of companies in the textile machinery business. The author of an investigation into the reasons for success or failure in the industry, Dr. Roy Rothwell*, argues that it is those firms which have been "technically progressive" which have survived and prospered during the post-war years.

In a recent article in the journal Management Decision, Dr. Rothwell quoted the chief executive of a highly progressive UK company, who had been involved in winding up the dealings of five former competitors in just six years: "Most of these firms produced excellent machinery which was superbly well manufactured—often better than were my own machines—but the trouble with it was that it had changed little since the 1930s." Dr. Rothwell commented: "Clearly, the lack of competitiveness of these firms, which resulted in their eventual demise, was primarily a consequence of their inability and/or unwillingness to innovate."

In the full report on his investigation, Dr. Rothwell cites a second firm, which had produced very little real innovation since 1945, and which saw its traditional markets being eroded by its main competitor's more modern machines. In an attempt to protect its remaining market share, the company finally instigated a crash programme of development. Within a short time it was out-selling its competitor, "which in turn had become complacent" about the need to innovate.

Five years after this turnaround, the tables were completly turned. The company was in such a strong position compared with its competitor that the latter was manufacturing 20 per cent of the firm's orders under licence.

Study

Dr. Rothwell's study of the reasons for failure is pitted with examples whose obviousness illustrates how easy it is to go astray in the complex process of design.

- "Insufficient technical resources allocated to the project. Secretive inventor. Potential market too small for commercial viability."
- "Lack of R and D resources. Inadequate distribution and after-sales servicing facilities. Unreliable operation in the mill."
- "Ignored changing market requirements. Impractical design resulting in unreliable operation in the mill."

The third example is particularly pertinent for general managers. Dr. Rothwell's explanation of what lay behind the blunt "reasons for failure" is illuminating: "Reasons why management ignored feedback concerning obvious changes in market requirements are unclear. (It has been suggested that sheer obstinacy at the top is the explanation). The new R and D team had no previous experience in textile machinery design. Much of the technical change embodied in the machine was unnecessary, the design was to over-close tolerances, and the machine consequently suffered many breakdowns in the mill."

In other words, it was a thoroughly unsatisfactory piece of product design, with a series of different managers at different levels having a hand in the disaster.

Perhaps the most damning of all Dr. Rothwell's statements is that a number of the failures he studied "were developed in almost complete isolation from the user." At a conference earlier this month he added insult to injury by saying that some companies had addressed no questions at all to the market, while others had taken no notice of the response to the inquiries which they themselves had made.

"Interaction with customers" is only one of Dr. Rothwell's 28 categories of problem area within the overall innovation process; the others range from control of R and D, through after-sales servicing and operator training, to more general policy questions such as product specialisation and pricing policy.

Getting to grips with one of the most contentious questions about technical change, the relative importance of radical and incremental (or step-by-step) innovation, Dr. Rothwell argues that, while the short-term prosperity of textile machinery companies can often be assured through "product improvement," in most areas more radical innovation has been necessary to ensure companies' long-term survival: radical innovations would often be followed by a long series of dependent improvements in the product.

Illustrating his thesis, Dr. Rothwell cites the cases of Platt International in the UK (part of the Stone-Platt group) and Saco-Lowell in the U.S. From about 1960 onwards, for various reasons, Saco-Lowell's "technical development" department was transformed into the "applications engineering" department. It was concerned more or less exclusively with product improvement, with no significant developments being undertaken, and no long-term research performed.

As a result, the advent of open-ended spinning caught the company without the necessary technical resources to develop its own system.

In complete contrast, Platt International in the UK maintained a strong R and D capability. Platt's technical work ranged from simple product improvements to quite basic research; as a result it was able to respond rapidly when the Czechs introduced the world's first open-end spinning system in 1967. In 1973 it took over Saco-Lowell.

Analysis

What makes the Platt Saco-Lowell story so fascinating is that it does not end there. In fact, the plot now thickens, since in the last few months Stone-Platt has revealed that, in other respects, it has learned much from the product design of its new U.S. subsidiary.

Finding that Saco-Lowell had twice the labour productivity of its British equivalent, it determined after exhaustive analysis that the key factor was not the quality of labour, nor the age of machine tools—two of the most widely-quoted reasons for Britain's poor industrial performance—but relative skills in product design.

The direct labour requirement for similar machines varied widely between the two countries. In one case the U.S. requirement was 70 per cent of the British, in another only 48 per cent. The conclusion was that years of operating in a high-income economy had forced the U.S. management to lay great stress on economic design.

Mr. Edward Smalley, Stone-Platt's managing director, argues that the "tendency in Britain is to design something and then hand the design to the production side, and let them make it. In the U.S. something is designed, and then costed, and then redesigned to lower the cost, and this might be done several times before a design is finally adopted."

"In Britain we usually had cast components and then machined them. In America they prefer to fabricate—to stamp and to roll metal—and to avoid machining if they possibly can."

Stone-Platt also discovered that the jigs used to hold components during manufacture were more carefully thought out in the U.S. to make the handling of components faster and easier. On a more technical level, the composition of the metal used in Saco-Lowell's cast components was found to allow substantially faster feeds and speeds in the machining process.

Other lessons learned from the relative efficiency of Saco-Lowell—and which Stone-Platt has resolved to improve in the British company—include better management control systems, including tighter cost control on the shop floor; a more efficient wages payment system; and the organisation of work so that it requires fewer people.

"One of the first things we had to do was to re-educate the design department," says Mr. Smalley—a point borne out earlier this month by one of Platt Saco Lovell's top designers, Mr. R. Shaughnessy, in a speech to a British Institute of Management conference on the management of product design and innovation.

Itemising the way cost savings and better design had been combined in one sub-assembly after another, Mr. Shaughnessy told how the application of "value engineering" techniques had enabled the British end of his company to reduce the cost of its latest design by 27 per cent, compared with its predecessor, "bringing us into line with our American performance." Most of the reduction was on labour (whose costs were halved) rather than material (cut by 16 per cent).

The machine which the new design replaced had been over-engineered, Mr. Shaughnessy said. This was because the predecessor had been designed too quickly: from design concept to complete detail in only 12 months, compared with the four or five years which was often necessary. The entire process for the new machine had taken seven years.

One of the secrets of his company's new approach was "to place cost responsibility with the design engineer," Mr. Shaughnessy emphasised.

Another important element was the quarterly reporting by value engineers to senior management. This is a sure sign, if such extra proof were needed, that Stone-Piatt's top management is one of the few in British industry to be thoroughly committed to the design process.

**Innovation in Textile Machinery: Some Significant Factors in Success and Failure.* SPRU Occasional Paper Series, No 2, June 1976. Science Policy Research Unit, Mantell Building, Falmer, Brighton BN1 9RF, Sussex. Tel: 0273-686758.

C.L.

. . . and some of the successes

THERE IS little doubt, either at home or abroad, that British manufacturing concerns have the ability to make really well designed products and that all that is lacking in many cases is the will to do so. Proof of this lies in the achievements of those UK companies which have managed to operate to the highest design standards.

One example of excellent product design is provided by the Chubb group. This is a UK owned and controlled group of security, fire and safety engineering companies. The group is traditionally known for making locks and safes but it also produces automatic electronic computer controlled tellers and cash dispenser systems, fire engines and airfield crash trucks, breathing apparatus and surveillance systems—among other things.

To date the group has won four Design Council Awards plus an RSA Presidential design award and the Duke of Edinburgh's design prize. And as one set of judges pointed out, the group's design policy seems to have brought its "own reward in terms of an admirable business performance." The interesting question is how Chubb approaches the matter of product design.

Its general policy is to market "products of the highest possible quality, to provide the most efficient service and to maintain these standards by continuous research and examination." In order to achieve these aims, Chubb tries to relate each aspect of the total design of a product to the user, to the environment in which it will be used and seen and to the market in which it will be sold. The group retains a professional design consultant who is available to give advice and help to Chubb companies throughout the world.

The group's design policy was until recently administered by Mr. Peter Windeler. Mr. Windeler is insistent that product design must not be confused with the cosmetics of a marketing operation — the packaging and general aesthetics—especially in a general engineering concern like Chubb.

"Good design should rightly refer to such things as product performance and pricing," Mr. Windeler says. "And good design management has to mean that the marketing, manufacturing and design sections of a company all work together on the development of a new product idea or on suggested modifications for an existing product.

"Designers must have a thorough knowledge of the manufacturing process itself so that they know what the implications of their designs will be in terms of plant and manning levels required. There is obviously no point in coming up with designs that are going to prove too expensive for the market because of high production costs.

"It would be equally ridiculous to start manufacturing something that nobody wanted to buy and this is where the marketing people are important. In our 40 companies, the design, marketing and manufacturing departments work together at every stage while the managing director of each concern acts as referee when it is necessary."

Another, much smaller, design award winning concern is Grant Instruments of Cambridge. This company manufactures laboratory equipment in the field of precise temperature control and employs under 100 people. It exports about 40 per cent of its production and last year its annual sales were running at about £0.9m.

Awareness

"We do not distinguish design as being a separate activity," Grant says. "The nearest approach to a design policy is the directors' efforts to cultivate design awareness and a sense of design responsibility throughout the company. It is therefore impossible to list particular activities in which design policy makes a contribution because we believe that this awareness and responsibility must be applied to all our products, our surroundings and the things we use. We are small enough not to need an elaborate control structure. In product design our consultant industrial designer is involved as soon as a marketing decision is made to develop or modify a product and the consultant remains part of the design team even after it is in production. In other aspects of design we rely on the design conscience of the individual combined with a general freedom for anyone to criticise the design implications of anyone else's work, irrespective of status. We believe this is much more effective than formalised procedures."

Mr. Cecil Chapman, managing director of Grant Instruments, also stresses the importance of close liaison between designers, marketing people and, in Grant's case, the company's suppliers of plastic injection moulding tools. He adds that design awareness in all aspects of company life is important as well.

It has been said that design is more than "just a useful aid to commercial success" as far as Grant Instruments is concerned. Yet it is clear that under the guidance of the company's consultant industrial designer, new techniques have been introduced for its range of products which have made them safer, easier to use and which have greatly enhanced their appeal to customers.

Ernest Scragg and Sons, an engineering company that manufactures machinery for the textile industry, has won no fewer than five Queen's Awards to Industry plus a Design Council award and an RSA Presidential award for design management. It has been described as having an "astonishing record for technical innovation" and it is clear that the emphasis the company places on product design is having a big commercial pay-off.

It is estimated that about 35 per cent of all the texturing machines in use throughout the world have been made by Scragg, whose export sales over the last decade have amounted to about £122m. Approximately 90 per cent of all its production is exported.

The actual process of designing a product successfully obviously calls for skill and flair on the part of a design engineer or an industrial designer and this is something for which companies cannot plan in the conventional, managerial sense. It depends on a shrewd employment policy and the ability to spot talent, either inside or outside the organisation. Both Grant Instruments and Chubb, for example, rely on outside design consultants and it has to be remembered that although many design consultants deal with industrial design there are a number that work in the design engineering field.

What all three of these successful companies have done is to give high priority to their design and to ensure that this concern for high design standards permeates throughout their organisations. One aspect of this design consciousness shows itself in the fact that all three concerns have discovered a way to efficiently manage their product design.

Perhaps the main lesson that other companies can learn from these three case histories is that good product design, which seems to be strongly correlated to commercial success, relies on the attitude of mind of top management.

S.C.

Innovation

CONTINUED FROM PREVIOUS PAGE

the recent slowdown in world growth and trade, and every thinking member of British industry and government should conclude, with Mr. Varley, that we should put more resources into knowledge-intensive industries which manufacture products of higher added value; we must move up-market and provide high-quality goods of superior design and specification."

This is exactly what the Germans, Swedes, Swiss, Japanese and others have been doing for years, and will be practising even more in the future. For Britain, the trick will be at least to match their efforts. Otherwise, everyone in the country will suffer: individuals (as both workers and consumers, not to speak of taxpayers supporting "lame duck" industries), together with the companies they work for, and the economic wealth of the country as a whole.

If most of these lessons are so obvious, why were they not learned years ago? To answer this is to provide some of the clues to the sort of cure we should now be administering to ourselves.

The answer contains at least half a dozen elements, each warranting a study itself:

1—Britain's imperial background made it reluctant, even into the 1970s, to face the need to be competitive on the world market.

2—To be involved with manufactured products, and engineering in particular, carries a low status in British society, even in the nation's boardrooms. This is a result of our imperial and class-conscious background, and our educational system.

3—The term "design" is still generally understood to concern a product's external aesthetics. This is partly the fault of the design world itself, where the accepted sense of "product design" seems to be limited to the shape and outward appearance of craft-based consumer products.

4—Britain's system of industrial financing imposes a short-term, low-risk, view on top management which is compounded by managers' own social values (point 2). Industry's long-term capital consists largely of shares, on which ever-increasing annual dividends are expected to be paid, so that companies tend to maximise their short-term profits at the expense of the long-term. The need to keep share values high, in order to finance takeovers, or to boost a firm's borrowing power at the bank, is an additional constraint.

In their own social contexts, the much less stock market-based financing systems in Germany and Sweden are far more conducive to the long-term view which is necessary if a company is to indulge in a thorough process of product innovation and design.

5—Against this background, the failure of several inadequately-managed attempts at prestige projects in the 1960s and 1970s has created an unjustifiably "bad risk" image for innovation, in both industry and the City.

6—Falling profitability (thanks in part to Government policies), and the unpredictable rates of inflation over the last few years, have increased top management's reluctance to invest in the more obviously risky of its various investment options — namely product innovation.

As a result of all this, the competitive state of most of British industry is weak, in some cases parlous.

One of the most depressing yardsticks is our rate of inovation, as measured by the number of patents filed and by industry's expenditure on research and development.

It is true that this gives only a partial picture, since it does not (and cannot) distinguish between R and D which produces new products, and that which produces improvements to existing products; many of our competitors' design successes have been achieved by this second route.

Nevertheless, since most companies would classify expenditure on, say, a new drive for an electric motor as "development," the national R and D statistics can be taken as providing some sort of measure of both types of innovation: continuous (largely product improvement), and discontinuous, or radical (new products).

An analysis of official international statistics shows that there has been a "precipitous decline" in the UK's rate of industrial research and development over the last decade, compared with that of other industrialised countres, in the words of one of the leading researchers in this field, Keith Pavitt of Sussex University's Science Policy Research Unit.

This has come on top of its "chronic under-investment in skills and technology" over the whole of the 20th-century, he argues, quoting a mass of international patent statistics which show a dramatic decline in Britain's share of new patents.

Not only are we not spending enough, we are spending it on the wrong things: "military and prestige-type projects (such as aerospace) rather than the technologies which matter most," said Mr. Pavitt's colleague, Professor Christopher Freeman, in a widely publicised lecture last week.

"Not only is the scale of German and Japanese industrial R and D now twice as great as our own in absolute terms" said Professor Freeman, "it is also directed far more to those industries which matter most in terms of world trade: machinery, electrical goods, electronics, instruments and chemicals."

So industry is not doing enough to promote more innovation and better design, and the government is still encouraging it to spend too much on prestige projects, while neglecting the more remunerative (though nevertheless complex) bread and butter. What should be done to sort out this conundrum?

Reductions in taxation and bureaucracy doubtlessly have a part to play, but they would not remove the basic hurdles to more innovation and better design in British industry: the low status of products, and the people who work with them; and the reluctance of managers to take, on behalf of their companies, the financial risks which are implicit in designing any new product.

In this desperate situation, government incentives are clearly needed. Two major policy reviews are nearing their conclusion: the Corfield Committee under NEDC auspices, and the Department of Industry's own internal study. The very least one should hope for is a battery of new risk-sharing incentives for industry.

If industry is to make the best of any extra government support, many companies will have to clarify their lines of responsibility for the management of product development and design. Identifying the "R and D" function, from top to bottom of the organisation, and relating it effectively to research, marketing and manufacture, will have to be one of the key preoccupations of British management over the next few years, if we are to pull the fat out of the fire.

C.L.

هكذا مفت الأجل

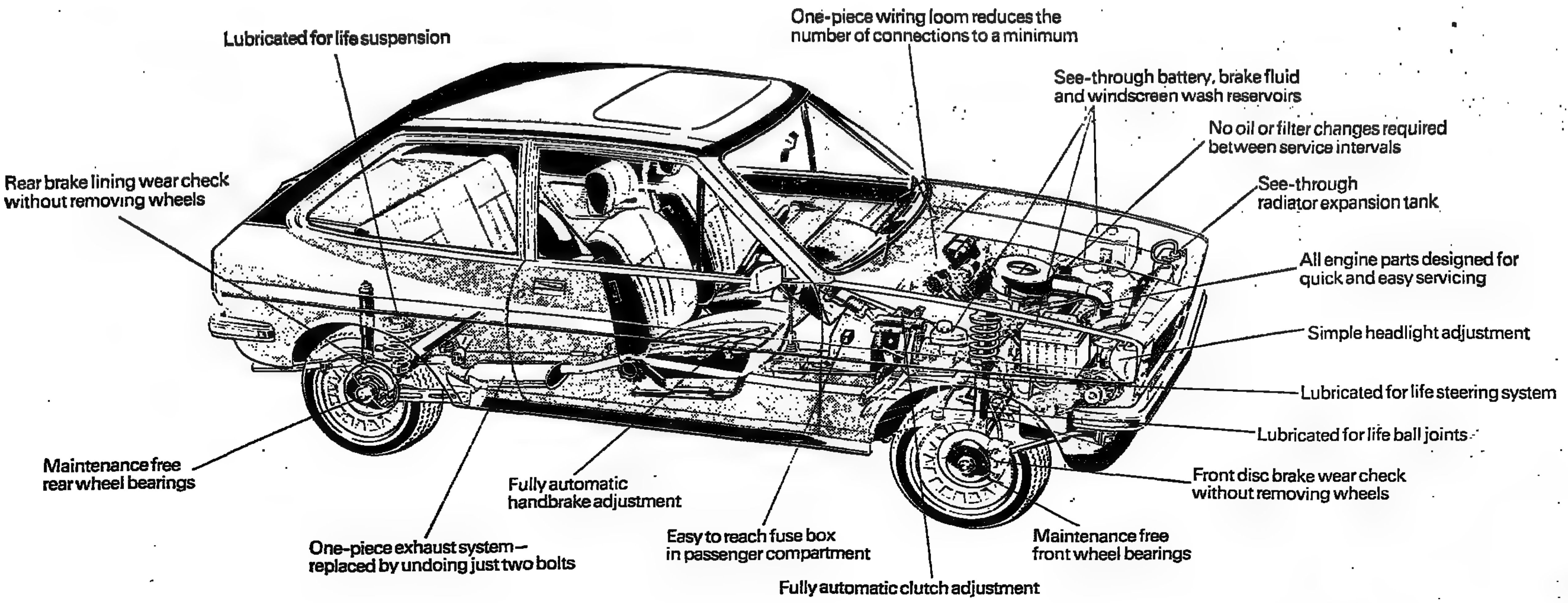
Ford Fiesta wins award for reducing your motoring costs!

Design Council Award 1978

Design Council Citation

"The Ford Fiesta was given a Design Council Award because the design embraced, as a matter of policy, a detailed and calculated attempt to reduce the maintenance and repair costs of the small family car. For the first time a design team has put cost of ownership and ease of maintenance high on its list of priorities instead of much lower as has so often been the case in the past two decades or more. This "ab initio" approach has set the pace amongst competitive manufacturers both in the UK and abroad. Indeed, evidence of the past year has indicated that other manufacturers are following the example. Furthermore, the judging panel could not find any characteristics of the complete "package" which did not meet the overall criteria necessary for a Design Council Award. The judges considered the design philosophy of the Ford Fiesta to be a significant and praiseworthy contribution towards the requirements of contemporary car manufacture and ownership."

Judge for yourself–test drive the Ford Fiesta today



FORD FIESTA Ford

Providing an incentive

DESIGN AWARDS are meant to encourage good design but it has often been argued that they are the kiss of death for the products and companies that win them.

Research carried out into winners of Design Council awards suggests that this argument is nothing more than a somewhat spiteful myth. For it was found that award winning products sell faster than others in a company's range and the awards themselves help industrial concerns to sell abroad and to sell to new customers. Overall, the winning of a Design Council award has a good effect on staff, on customers and on foreign buyers.

These research findings are a hopeful sign when it comes to considering how better design can be stimulated in the UK. At present the body chiefly responsible for promoting higher standards in this field is the Design Council which approaches its Herculean task from a number of different angles.

The Council, which is sponsored by the Department of Industry, says it helps to improve product design in five different ways. It provides direct advice and assistance to manufacturers; it publishes information on design; it publicises outstanding achievements in British design through the presentation of awards and through its own design index; it encourages improvements in the training of designers and it tries to make schoolchildren more interested in design.

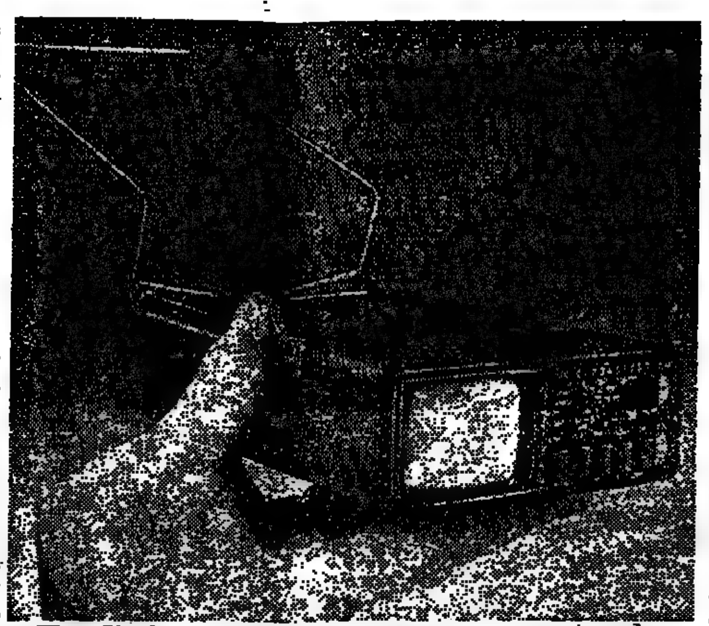
The Council's advisory work is concerned with the transfer of knowledge from "where it is available to where it can be applied to make better goods." It has a field force of 22 advisory officers, 14 specialising in engineering design and eight in industrial design. These advisers visit companies throughout the UK to help in diagnosing design problems and in finding the right people or organisations with the knowledge, skill and experience to solve them. Altogether the advisory officers make some 2,000 visits to companies each year.

The advisers can call on the Council's register of design expertise which lists research organisations, specialist companies, universities and polytechnics, design consultancies and individuals. The Council claims that by matching the right technology or skill to a problem—through the use of the register—it has helped to save many companies valuable time and money which would otherwise have been wasted.

Framework

The Council's engineering field officers operate within the framework of its official Design Advisory Service to which only engineering companies may subscribe. At present over 200 companies are subscription members and the Council has decided to try to expand the service.

It should be pointed out that although the Council has included engineering design among its responsibilities since 1972, it is only just beginning to lose its reputation in industry for being preoccupied with craft-based consumer products.



The Sinclair Microvision, winner of one of this year's Design Council awards, epitomises the need to combine good aesthetics with successful engineering design.

The plan to expand its engineering design service is therefore of considerable significance.

Although the Council's advisory work seems to be extremely valuable, it can be argued that only the "converted" are likely to take advantage of the help that is on offer. At present the UK's main need is to make British companies more aware of the importance of design. It is here that Design Council awards, which often receive considerable publicity, can have some impact.

Over the last 20 years about 90 companies have won design awards, some of them more than once. A total of 30 of these took part in the study aimed at finding out what effect awards had on product performance. Among them were Black and Decker, Chubb, Concord, ICI, Ingersoll, Philips Electrical and Wolf Electric Tools. The chief finding of the survey was that 60 per cent of respondents said their award winning products sold faster than competing products.

Writing in Design magazine, Mr. James Pilditch, who conducted the study, said it was clear that design awards tended to "spot the winners" — or vice versa. He added that all the respondents had said experience proved that good design was important, if not vital, to their success.

"Perhaps products sell better because they get a tremendous boost from the publicity that surrounds the awards," Mr. Pilditch said. "A number of respondents referred to this exposure. Either way the result is the same. A Design Council award and commercial success go hand in hand. Exceptions to this exhilarating rule exist but are few.

"According to the survey, design awards open doors. Sixty-six per cent of award winners who replied claimed the award-winning product helped them to sell to new customers. Seventy-three per cent said it helped them sell abroad.

"One managing director said the award revealed export potential he didn't know existed. Another asserted that design awards help exports because the Design Council is better regarded abroad than in Britain.

"For whatever reason, the correlation between good design—assuming that is what the design awards represent—and exports is profoundly important; a justification, if one were needed, of the whole Government investment in the Design Council and of the work of the Council.

"Nor do the benefits of awards end there. Everyone who replied to the questionnaire said the award had a very good effect on staff. Two-thirds said it had a good effect on customers. Over half said it had a good effect on foreign buyers. Three-quarters said it had a good effect on corporate image."

Mr. Pilditch's research results suggested that the chances of producing an award winning product were greatly enhanced if a company used trained designers. It was also "striking" how many award winning companies had used outside consultants. The findings showed that over half of all award winning products had been designed wholly or in part by outside designers.

The whole survey is extremely encouraging as far as the Design Council is concerned but a number of caveats have to be entered. One respondent to the survey felt that Council awards were more highly regarded abroad than at home and this may well be true. What is certain is that the number of entries for some Design Council awards is dropping. This suggests that sections of British industry remain unimpressed by design awards—whatever the benefits they may bestow.

There are several possible reasons for this—aside from the general indifference to good design within many UK organisations. One is that the Design Council had made a tiny but noticeable number of mistakes in its time, giving awards to, or indexing, products that have later proved to have serious faults.

Impression

Another is that the Council has sometimes seemed to be over-concerned with the look of products and with the look of household consumer goods in particular. Its London showroom frequently contrives to give this impression which is fine for manufacturers of kitchen cabinets but which can hardly be expected to influence the producers of machine tools.

This emphasis on appearances is sometimes reflected in judges' comments on award winning products — comments that can be woolly-minded in the extreme. Among the worst examples were last year's Royal Society of Arts Presidential awards for design management, which were administered by the Design Council. The effective management of product design scarcely featured in the judges' citations at all, although on the face of it this was what the awards were all about. As it happened the award winning companies all seemed to be highly skilled at managing their product design but it could be argued that this was more luck than judgment.

On the other hand, the Council's current initiatives seem to be going some way to answer the criticisms that have been made of it in the past. It should also be remembered that the body has only limited resources: in 1977-78 it was given a grant of £1.98m by the Department of Industry and this year's is set at £2.35m: in addition to this, it earned £1.79m last year and this income is expected to rise to £1.95m in 1978-79.

Mr. Keith Grant, director of the Council, is keen that all companies which receive Government support for product development should be given free membership of the design advisory service. This would only be a small measure but as the service is particularly geared to engineering concerns it could help the Council's image among industrialists while also persuading more companies to give greater priority to design.

Mr. Grant is insistent that the institutional arrangements for design in Britain need to be strengthened. He points out that when a company applies for public funds a whole range of factors are considered, including its financial performance. Yet little attention is paid to the standard of its product design. He would like the Design Council to be more closely involved in this vetting process—as an adviser to government. If this idea were put into practice it could well play an important part in raising industry's design consciousness.

Another initiative, admittedly on the consumer goods front, is the Council's plan to form a group of companies, all with better than average design records, and give them extra help with the promotion of their products. This would apply particularly at trade fairs. One reason for the plan is that the current design index covers mainly individual products but trade buyers are often anxious to see a company's full range of goods.

It is clear that an organisation like the Design Council is much needed in Britain today: measuring the impact it is having and its standing with UK industry is harder. But as the need to improve British product design becomes steadily more urgent, the signs are that the Council will begin to rise to the challenge, put off its somewhat arty image and play a much more significant role in educating industry on the importance of design as well as promoting the best in UK design.

S.C.

New emphasis on training

BRITISH MANUFACTURING companies and business schools have failed to pay much attention to the management of design in the past and this has been reflected in the nation's poor industrial performance. But now a new impetus is being put into design management by some of the people who are teaching it and men like Professor Brian Smith and Mr. Peter Gorb are attempting to define the skills it requires while at the same time promoting the whole concept.

Professor Smith, first holder of the chair of design management at the Royal College of Art, believes that one of the prime tasks of any design manager should be to secure a marriage between appearance and technology.

He is insistent that the appearance of a product, whether it is a domestic refrigerator or a machine tool, is vitally important because it is one of the major selling points. At the same time he thinks that most industrial designers, who are trained to deal almost excusively with the look and ease of handling of a product, need to be given a crash course in manufacturing and marketing techniques as soon as they join an industrial company.

"In the same way as there are managers for resources such as finance, personnel and purchasing, so there must be a manager for innovation, bridging the gap between the designers and the producers," he says.

"Design management is the management of all design resources in a company right through from product planning to the whole design team, which includes the marketing man, the research and development engineer, the product engineer and the industrial designer himself."

Design management, as Professor Smith is one of the first to point out, has been seriously neglected in Britain. He says that in the 16 months he has held the design management chair, he has discovered that it is even more neglected than he thought at the outset.

The design management chair at the Royal College of Art was set up in response to a widely felt need to study the interaction of the design and management processes and to evaluate the contribution of design to business performance. The establishment of the chair was also seen by the college as a way of forging the widest possible links with both industrial managements and with relevant interests and departments in other universities and professional bodies.

Professor Smith is not yet running a specific design management course of his own but he has already started planning one and he hopes to have it in operation by the end of the year.

"My design management course will take a year or two to develop fully and I am still feeling my way," Professor Smith says. "Ultimately I would like it to include a number of specialised topics, such as computer aided design, in-depth market research, production control systems and project management.

"Ideally I think we should be taking industrial design people and giving them design management courses. In practice I would hope to have design engineers and business students on my course as well as industrial designers.

"The best industrial designers do work very closely with engineers and technicians but it is the job of a design manager to ensure that this happens every time."

Rules

Professor Smith is chary of laying down any hard and fast rules for effective design management. He points out that experience has shown there are a number of completely different ways of managing design successfully. For example, ITT makes the maximum use of outside design consultancies while Philips at Eindhoven has a strong, centralised design department that covers industrial designers, engineers and managers. Yet both companies have proved themselves to be extremely skilled at the management of design.

The only golden rule Professor Smith is prepared to put forward is that design managers should be in at the beginning when an idea for a new product is first being mooted. He accepts that industrial designers cannot always be brought in at early stages of a product's development because there may be technical work on such things as performance specifications to be done. But he insists that a design manager "should be brought into the Boardroom at the outset when a company is deciding what sort of organisation it wants and what type of products it is going to make."

Some of Professor Smith's ideas are echoed by Mr. Peter Gorb who runs a design management course at the London Business School. Mr. Gorb believes that design should be defined as a plan to make something. Design management is therefore a part of the planning process.

"It is my proposition that design management should be—but is not now—the central and vital aspect of the planning process," says Mr. Gorb, writing in Design magazine. "It is not now the case because, in the main, the management of British industry is in the hands of professionally trained and highly competent thinkers and evaluators rather than doers. This is the main reason why the performance of British industry falls below that of its competitors.

"It is because these managers do not place the product, and its design, in the forefront of their planning that British products have so poor a reputation. It is a longer term purpose of design management teaching to influence an educational system which gives precedence to evaluators over doers, which trains young people to govern empires we have not got instead of the engineering works we have.

"It is most important to ensure that not only the Royal College of Art but, by example and influence, the whole of British design teaching prepares a fair proportion of young designers to take their places alongside the arts graduates, accountants, engineers and scientists on the career ladder to the top management jobs.

"How to do this will need much discussion and as much exhortation as education. For designers, faced with the awful prospect of management desks, will plead first their creativity, then their sensitivity and finally, at the last ditch, their professional status: all the old arguments of scientists, engineers and, yes, accountants, before they saw the light.

"But designers have to be persuaded and then trained to accept management roles. Otherwise skilled and product-committed young people will not be available to support and succeed a newly motivated generation of business leaders seeking to manage by design."

Mr. Gorb adds that if designers are to effectively influence industry, they must learn not just about the techniques and language of industry but about the attitudes and views of the people with whom they work. He points out that "they don't have to agree with them but without this knowledge they are unlikely to achieve the changes which their background and training have equipped them to make and which British industry sorely needs."

Few industrialists would dispute the need for better design management although many of them do little more than pay lip service to it. The drive to improve design management standards in manufacturing companies and to provide more adequate training for those who will become design managers is not helped by the confusion over the meaning of the term that exists within the design world itself.

Design management is often taken to mean design co-ordination within the context of an organisation's corporate image. In other words it means ensuring that common colours and logos are used on all a company's notepaper, on its shop and office fronts, on its vehicles and on the uniforms worn by its personnel. Although the presentation of a uniform visual image of this type is doubtless most valuable and although designers are needed to carry it out, it is a misnomer to call it design management.

Encouraging

Such minor clouding of the issue is something British industry can do without, given the present parlous state of product design in the UK. Yet the very fact that a design management chair has been set up and that there appears to be the beginnings of a consensus on design management among those who teach the subject, are highly encouraging signs.

It is to be hoped that British industry will respond to the initiatives that have been taken by appointing more design managers—or at least ensuring that someone within an organisation is responsible for the function—and by giving design management a place on boardroom agendas.

Training organisations, whether colleges of art or business schools also need to put some aspects of design management on their syllabuses if product design is ever to be given the priority that it urgently requires within UK manufacturing companies.

S.C.

The Management Page

EDITED BY CHRISTOPHER LORENZ

Why Babcock and Wilcox has been re-organised

Clearing the decks for a takeover

BABCOCK AND WILCOX, one of the largest engineering groups in the country, has just acknowledged the extent of its growth over the past few years with a major change in corporate structure and management. The effect will be to devolve responsibility and to clear the decks for possible acquisitions.

Since the beginning of the seventies the company has expanded rapidly, especially in America, with the purchase in 1975 of the substantial American Chains and Cable Company, ACCO.

Since 1970 Babcock's turnover has risen sixfold to £656.7m. and pre-tax profits tenfold to £32.3m. So the basic reason for the structural change was fairly simple. As John King, the chairman, puts it: "What suited seven years ago did not suit four years ago, and suited even less now."

There are a number of reasons why the Babcock board felt it necessary to change the structure. The one which probably precipitated the change, although not necessarily the most important, is the forthcoming merger of its boiler-making interests with Northern Engineering Industries—itself a merger of Clarke Chapman and Reyrolle Parsons.

In addition the management wanted to put all the contracting companies under one umbrella. This decision resulted from a study into how the company should develop the contracting side. The study which was conducted separately from the review of the main structure, noted that the contracting business was moving strongly into larger 'turnkey' projects. So it seemed logical to Babcock to put all the contracting companies, except of course for boilermaking, under one management, thus strengthening its ability to offer a complete package.

These changes would also make it possible for the board to rectify what it considered was the slightly anomalous position of Babcock and Wilcox itself. This was something of a hybrid, being partly a holding company, while partly trading in the boiler and construction equipment businesses.

The new structure, which came into effect two months ago, means that Babcock and Wilcox's days as a trading company are ended. Its new role can be described as a publicly quoted holding company with four U.K. subsidiaries—themselves each owning a number of individual operating companies—and two overseas investment arms.

Each of the U.K. subsidiary companies will have its own board, chaired by Tom Carlile, the deputy chairman and managing director of Babcock and Wilcox. These new entities are basically the old "operating groups," with their assets and liabilities made over to them; they also now hold the shares of the individual operating companies.

But the reorganisation has not been without its losses. Mr. G. E. Darwin, who was managing director of the "general engineering group," and had been in the company 20 years, left as a result of it, as the chairman reported to last Friday's annual general meeting.

The four new operating companies are:

- Babcock and Wilcox (Operations), which will hold shares in the merged boiler-making operation.
- Babcock Contractors, which includes all UK contracting, export and associated overseas activities.
- Babcock Industrial and Electrical Products, which includes the old "electrical group," as well as parts from the "general engineering group."
- Babcock Construction Equipment, which includes the remainder of the old general engineering group, together with the construction equipment group.

On the international side, the corporate structure remains largely unaltered by the reorganisation. Babcock International Inc. holds the shares of ACCO, and the companies other investments in the U.S. and Canada.

Babcock has not restructured its other overseas investments, although Babcock International Investments will perform the function of what used to be called the international group, as a management company for its other offshore assets.

The head office, in a quiet square in London's West End, and with a staff of 45, will still provide certain services to the group. All ECGD applications will still go through it, as will legal matters, financing and insurance. It will also monitor the group worldwide.

It is the head office which will probably feel the greatest impact of the restructuring. As Tom Carlile puts it: "The problem with the growth of the group has been that there has been much more work coming through head office" and he adds that with an easier load they will be able to "develop the company further."

Indeed, one way of viewing Babcock's restructuring is that it is clearing the decks for a further purchase. It is no secret that the company has a continuing policy of growth through acquisition.

Terry Kirk

Mr. John King, chairman of Babcock and Wilcox

John King offers a wry insight on take-over strategy with his comment that it is better to be second in a bid, and a rescuing saviour, than to be first and be blocked at any cost. (A reference to Babcock's unsuccessful bid for crane maker Herbert Morris, which sought a friendly bid from Hawker Siddeley, although it eventually went to Davy International.)

Now that the reorganisation has taken effect, senior management at Babcock will be freed to spend a lot more time with any company they purchase—which would probably be run under the head office wing for about a year after acquisition before being injected with full subsidiary status.

Although Babcock says it generally prefers to keep existing managers in purchased companies, "this company is being run by people who have come in through acquisition," says Tom Carlile—it is not without its problems. "The most sensitive issue in such a situation," says King, "is that the board is no longer reporting to the public but to us. Even though the company may grow and be much more important, it no longer has the same status."

Jason Crisp

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

An issue to the shareholder

I am the holder of 2,500 shares in a company whose authorised share capital is 10,000 shares of which 5,000 have been issued. The holder of the remaining 2,500 shares has now lost interest in the company and has resigned his directorship. The company needs additional capital and I would like to issue the balance of shares to myself. Am I legally entitled to do this?

Unless there is something unusual about the articles there is no reason why the remaining unissued shares should not be issued. It is a moot point as to how far an issue made to one shareholder only may be impeached by other shareholders; but to avoid this risk you should offer the shares on identical terms to all shareholders. If, for instance, they are offered at par to the other shareholder he is unlikely to want to subscribe for them.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

EMPLOYEE BENEFITS

Pension scheme pitfalls

WHY DO employees change jobs?

Few studies of this much-researched area make any mention of the attractions of a cash refund from the pension plan—yet there is every reason for thinking that it can be a major attraction.

We all want an adequate pension when we retire, but we also want to use the cash in the meantime. There has been considerable publicity about arrangements whereby employees leave on a Friday, receive their pensions refund and are then re-engaged on the following Monday.

But there is another side to the picture. A change in job may mean an increase in salary, better fringe benefits or even a greater job satisfaction. But it will usually mean a comparatively lower pension at retirement. What does happen to someone's pension entitlement when he or she changes job, both in respect of past service with the previous employer and future service with the new one?

Most schemes give the employees an automatic right to a refund of the contributions he has paid. This option is almost always exercised, even though it usually means forfeiting any right to benefits secured by the employer's contributions. The Inland Revenue is in principle opposed to an employee receiving both cash and a preserved pension (however diluted it may be). Employers are naturally quite content for employees to take the cash—it helps keep pension costs down.

Square one

But when a refund is taken, the employee has to start from square one in his new employment in building up a greater pension entitlement that the State scheme offers. Since pensions are based on the number of years of service, this means a lower pension at the end of the day. Only a really aggressive employee can bargain for an accelerated pensions build-up as a condition for joining a new employer.

Over the past decade, there have been three important pieces of legislation designed to ensure the maintenance of pension rights, by compulsorily preserving pensions and removing the option to a refund. Like all pensions legislation, this has resulted in a confused situation.

First came the Finance Act, 1970, in which a section stopped refunds to employees whose pensionable salaries were more than £5,000 a year. This level has never been revised or index-linked, and so many employees are now affected by its provisions.

Then came the Social Security Act, 1973, which gave an employee the automatic right to have his pensions preserved when he changes jobs, providing he is aged at least 26 and has at least five years' service with the pension scheme at the time of leaving. These rights take the form of a deferred pension, based on years of service and the employee's salary level at the time of leaving. The Act only relates to years of service since April 1975, when its provisions came into force, so automatic preservation will apply from 1980. If an employee does not claim a refund then all years of service are preserved in pension rights, but this does not happen very often.

Finally, the Social Security Pensions Act, 1975, which implemented the new State pension scheme, ensures that an employee will have his equivalent State pension maintained. If he takes a refund, then there will be a deduction for his portion of the Contribution Equivalent Premium which has been paid to the State scheme.

These legislative requirements are somewhat conflicting. So the Superannuation Funds Office of the Inland Revenue, responsible for approving company pension schemes for tax purposes, has drawn up a compromise scheme which sets out when refunds are debarred and deferred pensions are applicable. There are two alternatives for the employers to choose from: either anyone whose pensionable salary is more than £5,000 a year is not entitled to a refund; or anyone with more than five years' service in the pension scheme is not entitled to a refund.

THE ADVANTAGES OF STAYING PUT

STAYING WITH THE SAME COMPANY

Expected salary at 65—£18,000
Years of service to retirement—40
Pension=40/60ths of £18,000=£12,000

MOVING TO A NEW JOB

PENSION FROM COMPANY A:

Salary on leaving £9,000
Years of service at time of leaving—20
Deferred pension at 65=20/60ths of £9,000=£3,000

PENSION FROM COMPANY B

Expected salary at 65—£21,000
Years of service to retirement—20
Pension=20/60ths of £21,000=£7,000
Total pension=£3,000+£7,000=£10,000

Refund

Under the first option an employee can take a refund, irrespective of his length of service. Under the second he can take a refund irrespective of salary. The choice is the employer's, and it has to be incorporated in the rules of his scheme. The position after 1980 is that the provisions of the 1973 Act will dominate, and that the situation will be even more complex.

Even with this legislation, an employee who changes jobs still loses out, compared with his colleague who remains.

Consider an employee who has been with company A for 20 years and is due to retire in 20 years at 65. He is considering changing to company B because of better employment prospects. Both companies have a pension scheme providing a pension at 65 of 1/60ths of final salary for each year of service.

As the table shows, there is a pensions shortfall of £2,000 if he changes jobs.

What is needed to overcome this shortfall is for the employee to be able to "transfer" his period of service with his previous pension scheme across to the new scheme. In the example above, the employee would want to transfer 20 years' service to company B. Quite a simple request, but the question of how much company A should pay company B has not yet been resolved.

Mr. David Ennals, Secretary of State for Social Services, has now given the Occupational Pensions Board two years to come up with an answer. A future article will look at some of the possible solutions and pitfalls.

Eric Short

LOMBARD

Black economy speculations

BY ANTHONY HARRIS

AN accountant I know was somewhat surprised recently when a small client, whose books he had kept for years, turned up at his office smoking a big cigar. His car repair business had for years reported a turnover of about £9,000—hardly enough to support lavish living. "I've just sold up," he explained, "and I need your advice on investing the proceeds." The accountant was just about to launch into a spiel about unit trusts when he thought to inquire how much was involved. "It's £180,000," said his client.

Even an accountant accustomed to the idea that a small business these days needs three rather than two sets of books—one for tax, one to run the business, and one to show to intending buyers—was a little taken aback. This was evidently concealment, or invention, on a really imaginative scale, where he had suspected nothing out of the ordinary. It was one of the relatively rare occasions when a member of the straight, tax-paying world gets something more than a vague impression of the black economy.

The difficulty

The growth of the tax-evading, regulation-evading and carefree cash economy has been the subject of a considerable amount of speculation in the City recently, in attempts to explain such things as the growth of the note circulation (which so far from falling in relation to national income as the use of credit cards—plastic money—has grown, has actually grown itself). Unemployment is another puzzle.

The difficulty is to know how far the operations of the black economy will have any effect, one way or the other, on the figures for the recorded economy, and if so, whether the effect is distorting or not. To take the simplest and most innocent example, consider the daily help. One of the old jibes about GNP statistics is that if we all started taking in each other's washing or cleaning each other's houses, the statistics would show a large rise in GDP, while nothing would actually change.

This shows altogether too much awe for the statisticians. The fact is that if we all did this, the statisticians would probably never hear about it. There has, as we know, been a large rise in the recorded employment of married women, which is a genuine addition to the labour force. This has probably involved a large rise in the casual employment, for cash, of dailies, who are only substituting. The figures are thus more meaningful, not less so.

The existence of a black economy does lead to the understatement of activity when we are concerned with such things as decorating, building, motor repairs and the like which used to be recorded more fully. We can only guess at the scope of this, but there are some statistical clues to help. The growth of the note circulation is one of them; the others include such things as the rise in the savings ratio, the apparent participation rate of men in the economy (a participant is a man at work or registered as unemployed), and the apparent growth of do-it-yourself.

The point to grasp is that except for these marginal clues, the whole affair nets out of the statistics. It cannot, as some City people seem to suppose, explain why anecdotal reports of business conditions are sometimes much more bullish than the official figures.

It works something like this. If you spend money with Mr. Black to repaint your house, you have less money to spend on other things, and he has more. Further, if Mr. Black saves part of his takings for his old age (and if he is not paying national insurance, he had better save quite a lot), total spending in the recorded economy actually drops rather than rises. The bigger the black economy, the bigger the proportion of recorded income saved. It's odd, but more activity is recorded as less.

Complicated

The employment question is more complicated. Quite a lot of black activity is moonlighting; this may help to explain poor productivity, because a man with two jobs gets tired. Some is done by the registered unemployed, without an official trace.

However, there has been a puzzling tendency for the participation rate in the economy, for men and not women, to drift down when you would expect it to drift up—at a time of falling real incomes; and that seems to suggest that quite a lot of people who find no offence to their conscience in avoiding tax and other tiresome duties imposed by the State are still too proud and independent to cheat the State the other way, and draw unemployment benefit too.

That is quite an encouraging thought: and it may finally help a little to explain just one puzzle in the official figures—the fact that registered unemployment is lower than anyone has dared to forecast. These independent souls have simply emigrated from the statistics. This might suggest, by the way, that up to half a million people are involved full time—certainly not more. It's not a whole new economy: more a spirited warning to the tax-gatherers.

Reflection on the Chelsea varieties

GARDENS TODAY

BY ROBIN LANE FOX

WHAT WAS the good news, after a weekend's thought, from Chelsea Flower Show? Not only that the National Farmers' Union can grow cauliflowers of such firmness and width that we are left to wonder why their members still sell such floppy horrors in provincial markets. There were also the new New Zealand flaxes, or phormiums. True, my old two have just died in last winter's frosts, so I may be biased.

No doubt they are the done thing in Dunedin, out on the home-from-home front patio. But the new brightly-leaved varieties did not seem to me to be tolerable garden-plants. Their colouring was too exotic, too red, brown, or multi-mixed to look like anything other than a greenhouse foliage-plant, which had been dropped by mistake among plainer border-plants outdoors. Phormium Sundowner and Scarlet this-and-that are not for me. I would still prefer the Cannas on a South Coast roundabout whose purple-brown leaves are bigger and overshadowed, too, by flowers. The New Zealand phormiums are one more novelty for those concrete gardens where designers' forms are textured and flowers are lost in "plant material." Overhead, a structure; potentilla Red Ace beside the barbecue grill: give me a well-manured group of clematis against a plain old wall, I was thinking as I looked at this year's gardens. Inside the Main Tent, as always, the clematises of Pennells, Treasures and the rest were asking to be freely chosen. Beautifully presented on their bamboo canes, they took the prize, once again, as the garden flower best shown for its customers' pleasures and interest. Which, then, are worth a try?

Chelsea Show finds me well in the mood for a clematis spree, perhaps because it coincides with the best of our own montana month. A wide sweep of the single pink or white montana has never been moved up to Chelsea Show; it remains one of the few reassuring sights when gardeners return to their own home gardens. I prefer the pink ones, which must be bought as named pink varieties. Far the commonest is Elizabeth, so common that I begin to doubt if most of the stock on offer is true to name. The colour varies greatly, not least on plants set in the shade: away from the sun, they are more of a white than a pink. This is a nuisance and is not easily avoided.

Pictons Variety would be a safer pink, but it is less vigorous and has no scent. Try to choose an Elizabeth in flower, if you can, and hope for the best if you then put it in shade. Quite why the flower should be lighter, not deeper, away from the sunlight I have never understood. Personally, I also grow the closely-related Chrysocoma because it is quicker. The form called Sericea, if properly listed, is also pretty because its leaf is silky, and its growth very rapid. But a frost can sometimes shake it (I lost one in mild 1976) and it has no scent. Its use, however, is on other people's eyesores and all those modern garages, where it will outpace most montanas in mild weather. If you buy a montana and find that it moves very slowly for the first two years, do not be surprised. Quite often, a form will mark time in this way, only to race away in the third or fourth season. Do not prune it, let alone discard it, while it dawdles.

Montanas, of course, are stale news, though their colours and habits still puzzle many who buy them unawares. What of the new Chelsea varieties? One of the new leaders seemed good and useful and was reported to be tough: Pennells have combined pink and rose carmine in their new Elizabeth Foster, a clear colour, bleak and a bold one. You could do worse than begin with this on your next Clematis order. But there are others, particularly the blues with big flowers, which I would still put first.

First of all must still be Perle d'Azur. This is the clematis for nervous gardeners who think that clematis soon dwindles away. Perle d'Azur is nearly as sky-blue as its name, and it persists. It flowers fully in July and August, allowing you to match it with the big climbing roses. Probably, it would grow up their bare lower parts if you gave it its head. As yet, I am too used to the bother of a sick clematis to wish to risk one in competition with a strong Gloire de Dijon's rose-roots. If you can only afford one clematis, you should still buy this one.

The Show, however, turns me to another, the lovely double Countess of Lovelace. No doubt she is rather awkward. A stone must shade her roots; her head must reach the sun; she must have a good stretch of wire netting up which to climb; Benlate must cope with the danger of wilt. But her pale blue double flowers are worth the trouble. If you can start her off properly, you may find she bears a few single flowers on the young shoots, too. True, she died back the year after she produced this double crop for me, but you might be luckier. You cannot do more than water her heavily in the first few years and add some liquid manue to the watering can once a fortnight during the growing season. An old variety, but still a lovely one. Among the newer sorts, I would speak up for John Warren, Dawn and Edith. Edith is a child of the good old Mrs. Cholmondeley, a very sound buy in the lavender-blue group where it stands out for its long season. Released in 1974, Edith is a white, basically, with fine dark stamens and her mother's long season. Beside Marie Boisselot, queen of the big whites, I admire this new one and so far find her free-growing and quite free-flowering. John Warren, beyond any doubt, is splendid. The flowers are abundant: with that, he has been tough enough to survive a winter under part of a pile of builder's sand placed there in error. He has now come up for a full season's bloom. Feed him heavily and you will have a glorious show of mauve-pink stripes on a pale grey-white background, shading to a darker edge. Pennells bred it and showed it: there is only one bad point, the sickly colour to which the flowers fade in June, a fault which you have to forgive, though a show would not reveal it. I think he is the best new, despite this small blot.

Dawn began her life as Aurora when Treasures of Tenbury sold me one: she was an interesting cross between vigorous old Nelly Moser and awkward Yellow Queen. The colour fades and varies between white and blush-white, but I like it because the flowers are rounded and freely borne. Not too large, they are well set off by purple centres. One likes to think that these newer sorts are a worthwhile change. It must, of course, be said that Nelly Moser is still unbeaten at the top of the big-flowered list. But Dawn is a good one, too, without the waywardness of its other yellow parent. The breeders are still trying, but the tough and free-flowering yellow clematis, big-flowered and weather-resistant, is as yet reserved for the Chelsea Show of the 1980s.

Another one for Kelleway

RACING

BY DOMINIC WIGAN

ON ONE OF THE hottest afternoons ever enjoyed by Sandown racegoers Green Girl yesterday earned herself a tilt at the Epsom Oaks.

Always travelling smoothly and well within herself in the Chequers Filly Stakes, the powerfully-made Paul Kelleway filly only had to be hand-ridden inside the final furlong to pull away from her four opponents.

It was an impressive performance, and it was not surprising when the astute Newmarket trainer announced after the race that his Petingo filly would join stablemate, Hutton Girl, for a tilt at the fillies' premier classic on June 10.

Kellaway has already booked Shawn Salmon for Hutton Girl but as yet no jockey is engaged for Green Girl. It seems quite possible that he will be able to secure the services of Lester Piggott, who yesterday rode the odds-on favourite, Glinting, who folded up a furlong and a half from home after appearing to be going extremely well. Piggott was adamant on dismounting that Glinting had been beaten through lack of stamina and trainer, Michael Stoute, has now come round to the idea of returning the good-looking Crepello filly to six-furlong events, or possibly races over seven furlongs.

Half an hour earlier Piggott did not have much better luck on Royal Blend, a heavily-backed favourite for the day's feature event, the Henry II Stakes. This highly rated colt, owned by Mr. Charles St. George, never threatened Smuggler, Tug of War, and Shangamuzo, as that trio forged into the final furlong with the race between them. The West Ilsley trained Smuggler, a tough and resolute stayer owned by Lord Porchester, produced the better turn of foot and raced clear in the last hundred yards to put the issue beyond doubt. Shangamuzo, running a fine race considering that the ground was a great deal faster than he relishes, kept on well to deprive the outsider, Tug of War, of the runner-up spot.

BRIGHTON

2.00—Shakira
2.30—Primer
3.00—Ratamataj
3.30—Gruinard*
4.00—Seriema***
4.30—King of Accorda

CATTERICK

2.45—A Star is Born
3.15—Trading
3.45—Abdu**
4.45—Banyam

Bid to win America's Cup

DETAILS of how Britain hopes to win one of the world's most prestigious yachting trophies will be announced to-day by Sir John Methven, director-general of the CBI.

Sir John has accepted the presidency of a syndicate backing the 1980 challenge for the America's Cup and he is expected to ask British industry to help bear the cost, estimated at about £2m.

The syndicate includes Mr. Anthony Boyden, the millionaire yachtsman who financed Britain's last challenge in 1964, and Mr. Robin Knox-Johnson, the round-the-world sailor.

The actual challenge to the New York Yacht Club has been issued by the Royal Southern Y.C., Hamble, near Southampton. The syndicate will help in the construction of up to three British 12-metre yachts.

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 a.m. Open University. 1.30 p.m. Bagpuss. 1.45 News. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Great Grape Ape and Bailey's Comets. 4.50 "The Bridge of Adam Rush." 5.35 Roobarb.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.45 The Liver Birds.
7.15 World Cup Grandstand (preview).
8.25 Dave Allen at Large.
9.00 News.
9.25 "Junior Bonner," starring Steve McQueen.
11.03 Weather.
11.05 Tonight including the Hamilton By-election.
1.15-1.20 a.m. Regional News for England (except London).

All Regions as BBC-1 except at the following times:—

Wales—4.50-5.10 p.m. Scooby Doo. 5.10-5.40 Bilidowcar. 5.55-6.20 Wales Today. 6.45 The Urdd Eisteddfod. 7.05-7.15 Cartoon Time. 1.15 a.m. News and Weather for Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 1.15 a.m. News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 1.15 a.m. News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol): South Today (Southampton): Spotlight South-West (Plymouth).

BBC 2

6.40-7.55 a.m. Open University.
10.25 Gharbar.
11.00 Play School (As BBC-1 3.55 p.m.).
4.55 p.m. Open University.
7.00 News on 2 Headlines.
7.05 Mr. Smith's Flower Garden.
7.30 Newsday.
8.00 Dance Month: The Royal Danish Ballet presents "The Conservatory" and "The Miraculous Mandarin."
10.45 William Wilson: A Tale by Edgar Allan Poe.
11.15 Late News on 2.
11.25-11.40 Closedown: Sir Hugh Casson talks about "The Travelling Companions" by Augustus Egg.

BBC-2 Wales only—7.05-7.30 p.m. Heddiw. 11.25-11.30 Mr. Smith's Flower Garden.

LONDON

9.30 a.m. Kimba. 9.55 The Magical Mountain—Java. 10.45 A Big Country. 11.15 Animated Classics. 12.00 Here Comes Mumfie. 12.10 p.m. Pipkins. 12.30 Sounds of Britain. 1.00 News plus FT index. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 General Hospital. 3.25 Once in a Lifetime. 4.20 Michael Bentine's Potty Time. 4.45 The Boy and the Elephant. 5.15 Emmerdale Farm.
5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 Coronation Street.
7.30 Action Argentina.
8.30 This Is Your Life.
9.00 Best Sellers, part 3.
10.00 News.
10.30 Best Sellers, part 4.
11.45 The Andy Williams Show.
12.15 a.m. Hamilton by-election.
1.00 Close: Xanthi Gardener reads a poem by Angelene Paterson.

All IBA Regions as London except at the following times:—

ANGLIA

9.30 Animated Classic: "Robinson Crusoe." 10.20 The Little House on the Prairie. 11.10 The Charles Dickens Show. 1.25 p.m. Anglia News. 2.00 Houseparty. 5.15 Mr. and Mrs. 6.00 About Anglia. 11.45 The George Hamilton IV Show. 1.00 a.m. The Big Question.

ATV

9.10 a.m. Something Different. 9.35 Fantastic Voyage. 9.45 Survival. 10.10 Comedy Break. Bindle: "One of Their Days," starring Alfie Bass. 11.10 Circus. 1.20 p.m. ATV Newsdesk. 3.20 Beryl's Lot. 3.50 The Sullivans. 5.15 Mr. and Mrs. 6.00 ATV Today. 11.45 Citizens' Rights.

BORDER

9.30 a.m. World Leaders: Roosevelt. 10.30 Certain Women. 11.25 Untamed World. 11.50 Undersea Adventures of Captain Nemo. †1.20 p.m. Border News. 2.00 Houseparty. 5.15 Mr. and Mrs. 6.00 Lookaround Wednesday. †1.00 a.m. Border Summary.

CHANNEL

1.18 p.m. Channel Lunchtime News and What's On Where. 6.00 Channel News. 6.15 The Beatles. 10.28 Channel Late News. 11.45 Darts in Concert. 12.10 a.m. News and Weather in French followed by Epilogue.

GRAMPIAN

9.55 a.m. First Thing. 10.00 The Militant Moderate. 10.30 A Diary of Civilisations. 11.20 Boomsville. 11.45 The Beachcombers. 1.20 p.m. Grampian News Headlines. 6.00 Grampian Today. 6.25 Police Newsroom. 11.45 Mavis—Wanting to Know. 1.00 a.m. Reflections. 1.05 Grampian Late Night Headlines.

GRANADA

9.35 a.m. Sesame Street. 10.30 "The Borrowers." 11.45 Song Book. 1.20 p.m. This Is Your Right. 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Mr. and Mrs. 11.45 Paul Daniels at the Wheeltappers.

HTV

9.30 a.m. Sesame Street. 10.30 "California Holiday," starring Elvis Presley. 1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 3.20 Royal Bath and West Show. 5.15 Dodo the Space Kid. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Mr. and Mrs. 11.45 The Galton and Simpson Playhouse.

HTV CYMRU/WALES—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 4.20 Miri Mawr. 4.50-4.45 Un Tro. 6.00-6.15 Y Dydd. 6.30-7.00 Eisteddfod Genedlaethol Yr Urdd 1978. 11.45-12.15 a.m. Eisteddfod Genedlaethol Yr Urdd 1978.

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

10.00 Battle for Cassino. 10.50 Feature Film: "Class of '63." 1.25 p.m. News and Road Report. 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Report. 11.45 Late Call. 11.50 Police Surgeon.

SOUTHERN

9.30 a.m. Return to the Planet of the Apes. 9.55 Sinbad Junior. 10.00 No Borders to the Sun. 11.00 "Bindle (One of Them Days)," starring Alfie Bass. 1.20 p.m. Southern News. 2.00 Houseparty. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day. 11.45 Southern News Extra. 11.55 The Butlin's Grand Masters Darts Championship (final).

TYNE TEES

9.20 a.m. The Good Word followed by North East News Headlines. 9.30 Star Riders. 9.55 Beachcombers. 10.20 Morning Movie: "Beach Party," starring Bob Cummings. 1.20 p.m. North East News and Lookaround. 2.00 Women Only. 5.15 Happy Days. 6.00 Northern Life. 11.45 Landscape.

ULSTER

11.00 a.m. Sean the Leprechaun. 11.10 Undersea Adventures of Captain Nemo. 11.25 Animated Special. 1.20 p.m. Lunchtime. 4.18 Ulster News Headlines. 5.15 Solo One. 6.00 Ulster Television News. 6.05 Crossroads. 6.30 Reports. 12.15 a.m. Bedtime.

WESTWARD

9.45 a.m. The Ships That Flew. 10.35 Clue Club. 11.00 Echo of the Wild. 12.27 p.m. Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 6.00 Westward Diary. 10.28 Westward Late News. 11.45 Darts in Concert. 12.20 a.m. Faith for Life.

YORKSHIRE

9.30 a.m. Tarzan. †10.20 "The Pure Hell of St. Trinian's," starring Cecil Parker, George Cole, Joyce Grenfell and Sidney James. 11.50 Cartoon Time. 1.20 p.m. Calendar News. 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 11.45 The Entertainers.

RADIO 1

RADIO 2

RADIO 3

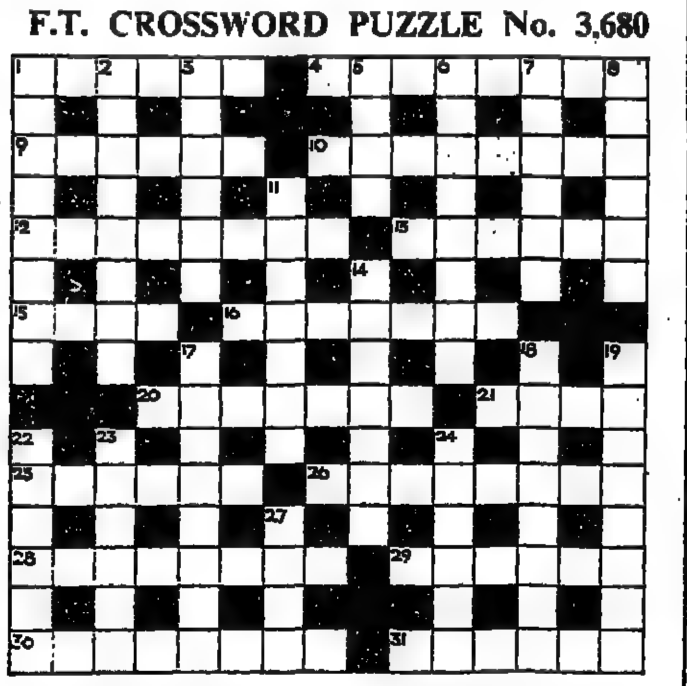
RADIO 4

BBC Radio London

London Broadcasting

Capital Radio

F.T. CROSSWORD PUZZLE No. 3,680



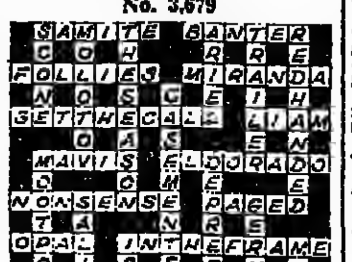
ACROSS

1 Drink for each meal (6)
4 Morbidly eager always to fish outside (8)
9 Fixed to the ground as plant may be (6)
10 Agrees with male church official (8)
12 Missile launcher could be a calamity to smoker (8)
13 Hoop in iron border (6)
15 Corner for small number? All right! (4)
16 Will to steal in a head (7)
20 Repartee making sire opt for change (7)
21 Legend from South American state (4)
25 Outcome for reserves last month (6)
26 Sheriff's officer giving gratuity to workers (8)
28 Chant about wine and be fair-minded (8)
29 Running through the middle like an ancient citizen (6)
30 Giving out and giving in (8)
31 Cheeps unusually in a manner of speaking (6)

DOWN

1 Slow dance tune from South African soldiers' group (8)
2 Etiquette shown by professional to senior officer (8)
3 Excused former eastern politician before start of talks (6)
5 Rising tide could be correct (4)
6 Curse river going over decrepit vehicle (8)
7 Peculiar mime about French article like 3 (6)
8 Clothes supporter in wood on hillside (6)
11 Fight and argue about bird (7)
14 Refrain from giving sailor a black mark (7)
17 Lodged note with editor (8)
18 Garden is to be seen in promenade (8)
19 Map-scale for Cockney to steal? (4-4)
22 Club in which money goes to your head (6)
23 Ash or elm partly on land (6)
24 Out to the world when huntsman comes up (6)
27 Soon without name (4)

SOLUTION TO PUZZLE No. 3,679



ENTERTAINMENT GUIDE

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CINEMAS

ODEON LEICESTER SQUARE (930 6111). CLOSE ENCOUNTERS OF THE THIRD KIND (A). Sep. progs. Dly. Doors open 1.05, 4.15, 7.45. Late show Fri. and Sat. Doors open 11.15 p.m. All seats may be booked.

ODEON MARBLE ARCH (723 2011-2). THE BETSY (X). Sep. progs. Mon.-Sat. 1.30, 4.45, 8.15. All seats bkble. except 1.30 perf. Mon.-Sat.

Television

The nonsense of Nationwide

by CHRIS DUNKLEY

Writing about BBC1's early evening current affairs magazine *Nationwide* is just like writing about programmes on Ireland, Shakespeare or abortion: it always results in irate letters. There is an important distinction however. Whereas the outraged letters about Ireland, Shakespeare and abortion come from the public, when you write about *Nationwide* they come from the producers.

It has been happening for years: critics take the programme to task for its triviality (and at one time for its mechanical ineptitude) and ridicule its choice of subjects, or the style and habits of its presenters, whereupon one of the producers in high and righteous dudgeon—in his own words, of course—that whatever a small group of snooty critics may say, ordinary viewers want a bit of relaxation now and then and can't be worrying about Third World starvation and the neutron bomb all the time, and whatever the critics may think this approach is obviously popular because millions watch *Nationwide* so nyah.

It is a response which ought not to be dismissed out of hand, although it should be said that any half-way acceptable programme transmitted at 5.55 on BBC1 is likely to get a sizeable audience. However last week's special series of *Nationwide In Europe* promising "a week of programmes which compare life in Britain with that of our Common Market partners" seemed to offer a good opportunity for re-evaluation and, with luck, scope for a little praise.

And so there was. On Tuesday for instance Frank Bough presented "The Story of Two Fords," one built in Britain and one in Genk, and although this notion of comparing industrial products and the time taken to make them is one that has been used by *World In Action, The Money Programme, Enterprise, Money Go Round, Man Alive*, and so on, it is still a good idea and one which fulfilled that promise to make comparisons. Furthermore, the conclusion — that Britain's slower production resulted from inferior maintenance methods — was unexpected and interesting.

It was, however, just about the only serious item in the entire week which did live up to that promise. There were occasional currency translations ("this handmade lace handkerchief would cost you £60" or whatever) and there was a jokey and predictable report on national eating habits as seen in Brussels restaurants, with the reporter suspiciously poking a fat German sausage; you know the sort of thing. Oh how well you know it!

There were one or two other items which had nothing to do with comparing life in different parts of the EEC, but which were well worth making and watching, notably Bernard Clark's film report on the Genesis rock tour, and Friday's item about the mixed reactions to the flood of German week-end property buyers into eastern France. (You buy a bit of land, put a caravan needing no planning permission on it, and build a "shelter" for the caravan. Then you take away the caravan. . . .)

They were, however, the exceptions. An awful lot of the rest of the week's material was the sort of thing you would expect from the state tourist office, lauding the joys of the Bruges canals (has the smell really been eradicated, or did Frank and Sue just choose not to mention it?) the "Festival of Giants" in Ypres, the strength of Belgian beer (admittedly this item was so brief, and Bob Wellings' "Wow" so ambiguous that he *could* have been commenting on its weakness, yet I doubt it) and the joys of the open-air markets. It even descended to the point where Sue Lawley started to talk like a tourist brochure: according to her, the centre of Brussels is "colourful."

Still, it would be unfair to single out Sue for the cliché award because *Nationwide* as a whole does for old clichés and solecisms what the Chelsea Royal Hospital does for old soldiers. On Monday Martin Young, talking about the Europeans in Kolwezi, told us that the majority "thankfully have been rescued." On Tuesday John Stapleton declared that "most interest centred round" something or other. On Wednesday our old friend "Justow Critical" was quickly followed by "people like you and I." On Thursday Sue talked about "the *famous* bicycle-riding Queen Juliana" and moments later claimed that "you might consider both as unlikely as the other." Friday brought a veteran motorcyclist described as "60 years young" and an item introduced with the words "love and marriage according to the old song go together, but vicars and pin-ups?"

This last item about a clergyman raising charity funds by selling old magazines such as *Vie Parisienne* produced the line of the week. When the interviewer queried the possible incongruity of a priest dealing in such material and asked "Isn't this what's called a full frontal?" the vicar replied completely seriously "Well you can't see her face."

It is the implication of that "love and marriage" line which is particularly significant for this article however. The howlers above are not listed for the sake of making fun of *Nationwide*, but to convey a serious point: that the programme tolerates and even seems to encourage a standard of journalism which is pitiably low.

The line introducing the vicar was a confusing non sequitur in which the very concept it sought to highlight (going together) was hidden behind the much more powerful introductory concept of love and marriage.

One recognises the difficulty of writing hurried links for a daily current affairs programme without using such taboo phrases as "And now for something completely different." But it is said that the reporter reached deliberately not for something fresh and expressive but for a cliché, regardless of how inadequate and even confusing that cliché might be.

It is this mediocre reporting and the bland, inoffensive (except for some instances which we shall return to), amiable and often tedious presentation which is to be deplored and not the supposed triviality of so many items. Any sane person would agree that viewers should not be offered only stories of starvation and the neutron bomb, and *Nationwide* with such an unusually large mixture of home-bound mothers and young children and homecoming schoolchildren and fathers clearly has an especially difficult audience to cater for.

No doubt this explains last week's items on maggot racing, the man who did 120 parachute jumps, and the manna machine from outer space (though it is, again, significant that newspaper journalists showed the manna machine book to be an extension of an old April Fool joke from *New Scientist* whereas *Nationwide's* journalists presented it entirely seriously).

Anyway, having children in the audience is *no* excuse for poor journalism: *Blue Peter* and *John Craven's Newsround* proved years ago that children recognise and need the best journalism, not the worst. Similarly, funny items need the best possible journalism to project them, not the leaden stuff that weighs down items such as the maggot race.

The offensiveness mentioned above occurs on the frequent occasions when an interviewer cuts his subject dead (all too often immediately after asking him a question) with an urgent phrase such as "I *must* stop you there I'm afraid."

When the item for which you have been silenced (as Paul Sieghart was on Thursday during his comments on modern police weapons) turns out to be "Puzzle Corner" then you look pretty silly—though nowhere near as silly or frivolous as the programme. Yet again, however, it is the triviality in the form, the style, the approach that is objectionable and not the lightness of the items themselves.

In the fifties and sixties when every reporter in Fleet Street wanted to move into television, men such as James Cameron, Fyfe Robertson, Alan Whicker Trevor Philpott, and Ken Allsop brought to television's current affairs magazines their various idiosyncratic styles. One watched (as one still does) not just for the items themselves but for the way they were handled. "Lightness" in a programme was as much a question of their approach as of content. With *Nationwide* that is not true except in the case of the admirable Richard Stilgoe who seems to have some special dispensation.

Professionally speaking, television has lost much of its allure and no longer has the pick of Fleet Street, but if *Nationwide* wants to make better programmes and attract respect and is not simply intent upon keeping several million sets tuned to BBC1 during teatime when audiences are thought to be easily distracted, then perhaps they might work on the quality of their journalism, whether the items are trivial or momentous.

Malvern Festival

You Never Can Tell

by B. A. YOUNG

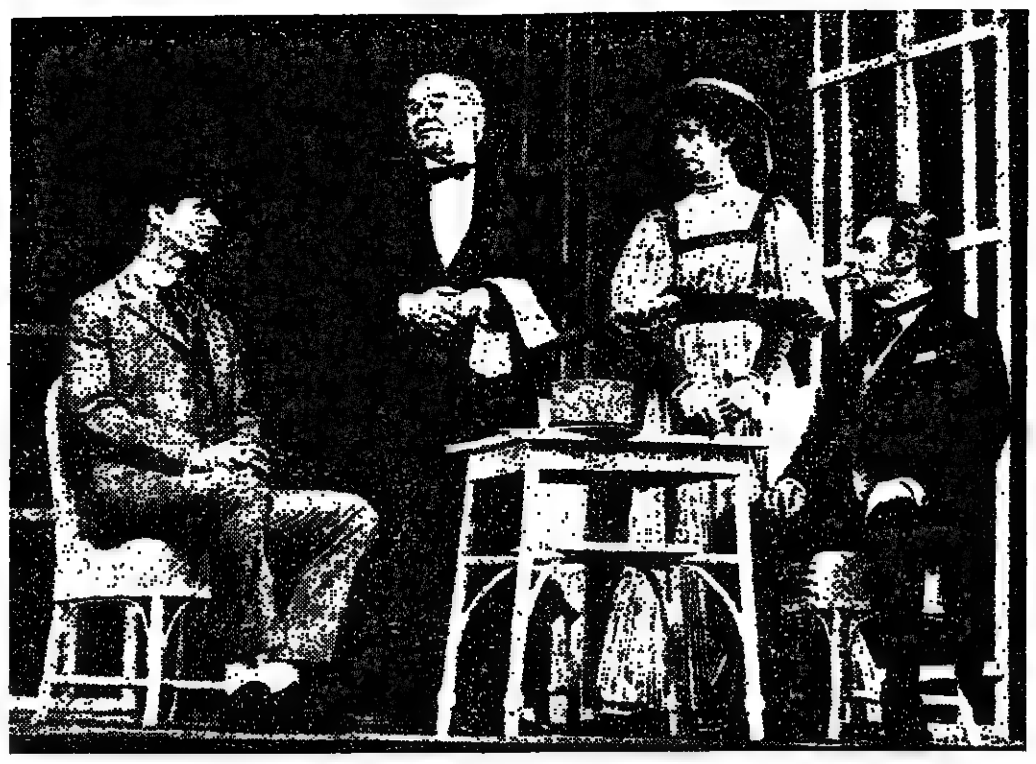
Shaw's romantic farce is treated by the Abbey Theatre Company with gossamer lightness. Wendy Shea, the designer, has scrapped the author's descriptions of the sets and enclosed the stage with a lattice surround like a wall from a Meccano Taj Mahl. Interior scenes are backed by a black drop, exteriors — the Marine Hotel terrace, the off-stage view of the ballroom — by pretty coloured inventions. Within this enclosure the necessary furniture is placed in purely representational arrangements.

The result gives a charmingly anecdotal feeling that never conflicts with Shaw's intentions apart from one considerable miscalculation on the director's part. Patrick Mason has introduced a dancing Columbine and Harlequin who start the proceedings by removing white dust-sheets from all the constituents of the first scene, including Dolly in the dentist's chair and Valentine about to start extracting her tooth; and who later, between acts or even in them, dance little expository dances. The idea, I take it, is to suggest that the action of the play is no more real than the commedia dell'arte; and this conflicts with the basic farcical requirement as I understand it, that you must at least transiently believe in what you see.

However, no more complaints. Even the dancers are almost made acceptable by the ragtime music to which they dance. As for the remainder of the company, they are enchanting, going through their foolish routines with every appearance of taking them seriously.

At the centre of it all is Cyril Cusack as William, the waiter, bobbing obsequiously to his outrageous customers, no matter how unorthodox their approach to him, keeping his voice low and respectful even to his son the QC, in whom Clive Geraghty combines atrocious bullying with a capacity to win respect from even the most disrespectful.

All around him are figures of conscious or unconscious fun. Mrs. Clandon, with her exaggerated rejection of parental rights, is the nearest of them to convey a Shavian message, but one can't take her seriously even in Joan O'Hara's serious performance. Gloria (Maire O'Neill) also has the handicap of having to maintain a determined mien. She and Desmond Cave as Valentine are particularly good where he is parodying her intellectual arguments in what is nothing else but courtship. Most serious of them all is Philip O'Flynn's Crampton who sounds like an Irish politician making an election speech. Ingrid Craigie and Stephen Brennan are the young twins, parts that can't help being funny so long as they are played—as here—without exaggeration.



Leonard Burt

Stephen Brennan, Cyril Cusack, Ingrid Craigie and Desmond Perry

Sadler's Wells

Caracas Ballet

by CLEMENT CRISP

The Ballet Internacional de Caracas is just over two years old. At its first London showing last night—the company is here for the rest of this week—we could appreciate the extreme dedication shown by the dancers. And then pause to reflect that within the short space of its existence the company has acquired a repertory, and what is clearly a strong ensemble feeling among its 22 members. Which must serve as a preamble to the fact that most of the dances on show prove, once again, that choreographers are very, very hard to come by.

In Vincente Nebrada, artistic director and chief creator, the company has an efficient choreographic craftsman: his *Our Waltzes* to an undammable torrent of banalities by Teresa Carreño, stands in the shade cast by Robbins' ballets about dancers and a piano, but it is neatly made and shows off its cast well. The piano used last night was a brute; the girl's dresses are cut to reveal their armpits, but the cast of ten believe totally in what they do, and a danseuse in red, whom I take to be Marielena Mencia, has mercurial speed and a lovely lightness. (The printed programme, where not confusing, is totally uncommunicative).

Nebrada's other work on the bill, *The Moon and the Children it possessed*, is *le menu touristique*, and spends much of its time whipping itself and its cast into an ethnic frenzy before collapsing into the direct cabaret roguishness. It offers a series of incomprehensible dances led by Zhandra Rodriguez, the company's ballerina and a dancer of lithe brilliance whom we knew with American Ballet Theatre. In this, and in a predictable duet by John Neumeier entitled *Ariel* (sprite, or detergent, or aid to broadcast reception is nowhere clear) which battens upon an adagio from a Mozert piano concerto, Miss Rodriguez is seen as a dancer of distinction.

She also appears with an immensely willing cast, in Margo Sappington's *Rodin mis en vie*. This presumes that Miss Sappington's choreography can bring anything to life; its effect, for me, was to suggest that only the brief moments which copied the poses of Rodin sculpture had any artistic vitality.

Elgar at Tewkesbury

by DIANA McVEAGH

The Tewkesbury Elgar Festival, running from May 21 to June 4, and held mainly in the Abbey, is a new event. It looks back to the first such Festival under Richter at Covent Garden in 1904—necessarily an incomplete survey—and to the London celebrations of 1949 and 1957. It has this distinction: Tewkesbury is in Elgar country, and a town he often cycled to, and the Philomusica of Gloucestershire and their supporters are local musicians, many of them semi-professionals or amateurs.

The programme looked formidable, even reckless. The four religious choral works as well as the Coronation Ode, *The Spirit of England*, and *The Music Makers*, some of the big orchestral repertory, and evenings of nicely chosen smaller pieces. But plans for this Festival were laid four years ago, and the performers have by now given all the major works several times. How prepared they were was shown when James Walkley, the music director and bass soloist, woke voiceless and coughing on the day he was to sing Jesus and St. Peter, and his roles were taken with no ado by understudies.

Jesus and St. Peter on one day: readers will have experienced a considerable shock. For the outstanding event of this Festival was the performance on one day of *The Apostles* and *The Kingdom*. This was something Elgar wanted. He confided his wish to, among other people, Herbert Sumsion of Gloucester, a father figure to the Festival's players and singers, and teacher of its conductor James Cowley. Elgar never attained his wish, and so far as I know this was the first time the two, thematically linked oratorios have been given with only a couple of hours between them, though recently they have twice been done on consecutive days at Haddo House near Aberdeen.

It has generally been thought that Elgar intended to compose a third oratorio. In a lecture at Tewkesbury Jerrold Northrop Moore suggested that the two first parts of the trilogy make a complete whole, basing this on diary entries, on Elgar's letters to his publisher, and on internal balances between the two works. Certainly Elgar changed his overall scheme more than once from the time (before *Gerontius*) when he became obsessed with it, until, painfully struggling against ill-health and depression, he produced *The Kingdom*. There remains the fact that sketches of text and music exist for the third oratorio, and that he allowed his public to expect it, often referring to it; but this would not be the only mystery he fostered that a simpler, less interesting, less self-doubting man might have explained, or even not found necessary to make.

In any case, the gain in hearing the two works in one span is great. In particular to experience the working through of the "Spirit of the Lord" theme from the very opening bars to the stilled, receptive choruses *for* Pentecost—how significant that among the finest pages are those of awaiting inspiration. Whether one takes the works as a musical drama on the early Church, or as an allegory on creativity (or, indeed, as both) the achievement is courageous and profound. Last Saturday Tewkesbury became Elgar's Bayreuth.

Old Vic

The Turkish Clogs

by MICHAEL COVENEY

Bending over backwards to be hospitable towards the International Turkish Players at the Old Vic this week, I would congratulate them on the idiomatic, even racy, translation of a whimsical folk tale of love and marriage. *If* the Turkish clogs, the English flows. The village Headman, for instance, proclaims in one of several insufferably coy pop songs that "I don't blink, I'm no fink"; the village Romeo manages to rhyme "pain and joy" with "Boy oh boy." Obviously everyone is more up to date in remote Turkish villages than we assume, despite all that outward traditional finery of coloured socks, worry beads and bejewelled headgear. When the ladies gather to scrub socks in the square, they may kneel over a tin bath, but at least they have a packet of Omo.

The play, by a modern author, Necati Cumali, is neatly structured and charming enough, replete with stock *commedia* characters such as the scheming widow, the puffed-up Headman, the over-protective mother and the mercenary brother. The heroine's family disapprove of her projected lover who, in turn, carries the girl off to the hills, perpetrating the deed of abduction in the afore-mentioned scrubbing scene. He is aided and abetted in this by the scheming widow, grateful for a roll in the hay with his best friend, a grinning nincompoop with a red rose stuck in his right ear.

When the Romeo is bundled off for trial, it is revealed that the girl is of a legal age to marry and she scoots off to the prison to elope once more, and for good, with the cheerful rapist. Beyond that there is little to report, although I daresay a minority audience might find something to enjoy in the primitively arch quality of the performance.

Round House

Big Sin City

by MICHAEL COVENEY

One day someone will initiate an award for the Worst British Musical of the Year and then shows like *Big Sin City* will have arrived. While it does not quite make *Fire Angel* look like *Oklahoma!*, it is not far off doing so. The sin city in question is a place of coloured lights floating indeterminately in the wake of TV light entertainment where a hapless pop singer treks through a not very nasty underworld in search of his beloved Dolores. When he finds her he is not even gentlemen enough to share the microphone, with the result that old Dolores dies, quite literally, speechless, as a rival hoodlum sticks a knife in her belly.

The pop singer is befriended by Jack Wild as Slic in a three-piece suit, a character modelled on the Artful Dodger in Bart's *Oliver!* in which, of course, Mr. Wild made his name. The musical-spotting game does not end there. Sin city is populated by two rival gangs in a faint acknowledgement of *West Side Story* and a pasty-faced Disco Kid is an echo of the emcee in *Cabaret*. Having gone thus far, the script throws in fatuous send-ups of The Fonz in TV's *Happy Days*, Mae West, Starsky and Hutch, Elvis Presley and the punk rockers. No human life is there.

Mr. Wild squeaks away like an upstart Archie Andrews, vainly trying to control our wandering attention, while a rock band perched on high thuds tediously away at a score bereft of charm, talent or melody. The whole sorry affair, credited to a fraternal trio of Neil, Lea and John Heather, is a dismal tribute to the unacceptable face of British showbiz where the Eurovision Song Contest reigns supreme and everyone jives away as though auditioning for the part of Lionel Blair.

The director is Bill Kenwright. Of his company, only Michael Price as Al, given the one marginally acceptable song of the evening, "It'll Be Man," makes any kind of impression. I am not convinced that it is a good one (better, certainly, than Su Pollard's of Mae West) but at least he comes across. And that, in a contemporary British musical, is something.

Leonard Burt

Tim Myers, Ellie Smith, Peter Styles, Mike Fields, and Linda Dobell.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 886341/2, 883897
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Wednesday May 31 1978

When Tories fall out

THE BRITISH Conservative Party is clearly going through a bad period. After the elation that came from defeating the Government on amendments to the Finance Bill three weeks ago the Party has repeatedly run into difficulties. The opinion polls for a start have turned against it. There has also been the leak to *The Economist* of the report on the future of the nationalised industries in a form that was far from ready for publication. Now it seems that the leadership cannot even handle a relatively minor change in the staffing arrangements at the Conservative Research Department without arousing suspicions of deep doctrinal and personality differences.

Intrigue

There appear to be two broad views about this within the Party. One is that the upsets are no more than temporary: politics, after all, is a matter of ups and downs and next week or next month it might just as well be the Labour Party which is receiving the adverse publicity. In short, there is nothing much to worry about. The other view, however, is that there is a more general failure of organisation, a lack of liaison between key party figures and even perhaps a suspicion of intrigue between factions.

The two views are not necessarily incompatible. It is possible that Conservative fortunes will recover without the Party doing anything very much to run its affairs more smoothly. And yet to the outside observer there does seem to be an increasing amount of evidence of lack of central control. It is, to say the least, odd that Mrs. Thatcher should frequently make speeches on subjects of direct interest to her Shadow Cabinet colleagues without consulting them or even advising them in advance. It is no less odd that she should appear to rely more on the advice of a few back-benchers than on the most experienced Shadow Cabinet members. And if that impression is incorrect, it is striking that so little is done to dispel it.

To say that is not solely to criticise Mrs. Thatcher. There is also the rather curious behaviour of those members of her front bench team whom she appears regularly to bypass. Mr. Whitelaw, for example, was clearly unhappy about the approach to immigration. Mr. Prior is unhappy about the approach to the trades unions. There are others, too, who believe that over the last few months Mrs. Thatcher has moved dangerously far to the right—perhaps even to the point where she may throw away the general election. Yet there is very little evidence of this concern being expressed to her. Mr. Whitelaw has swallowed his dislike of the immigration policy in the interests of party unity, while Mr. Prior simply goes on following his own line on the unions in the hope that in the end moderation will prevail.

It is not difficult to see how vulnerable the party is becoming to charges of being divided. In the election campaign the natural tactic of the Labour Party will be to draw attention to the gap between the Tory liberals and Mrs. Thatcher and her more strident supporters. That could be exceedingly damaging to the Tories' electoral chances, the more so as the Party still has to live down its reputation of being less fitted than Labour to deal with the unions.

First move

At present very little effort seems to be being made at reconciliation. Mrs. Thatcher goes one way and the liberals another. There is no sign of her trying to present a team, nor of the bulk of the Shadow Cabinet trying to point out to her the dangers of an immoderate course. It is said, in self-defence, that the differences between the two sides are exaggerated by the Press, and that may be true. But that is always the case, and politicians should know it. The stories of splits are likely to go on until some conscious attempt is *made to heal the rift, and they* will continue to supply ammunition to the Labour Party. If Mrs. Thatcher cannot bring herself to make the first move, then it is up to those who if they are not exactly her best friends at least should be her closest colleagues to tell her. The message is simply this: the Conservative Party, having looked good for so long in Opposition, now looks disunited and accident-prone at the time when it is beginning to matter most.

No blueprint, thank you

WHETHER or not regrettable, it is in no way surprising that the Economic Policy Committee of the Organisation for Economic Co-operation and Development has turned down the detailed plan for concerted growth circulated by its secretariat. This plan had two separate aspects. The first was based on the estimate that growth in the OECD area this year is likely to be slower than at first supposed and that unemployment will rise to a still higher level. Given the general feeling that concerted action of some kind is necessary to produce a faster economic recovery — the secretariat reckoned that average growth this year would have to rise from a projected 3½ per cent to 4½ per cent if unemployment were to be held at its present level — the planners suggested the amount of stimulus which each of the larger OECD member governments would have to apply if the overall target were to be achieved. They were, by implication, particularly insistent on the need for a sizeable boost in West Germany.

The second aspect of the plan was a proposal that member governments should agree to abandon any measures (state subsidies to industry, employment protection measures, and so on) which they had adopted as part of a counter-cyclical policy. In contrast to the first aspect of the plan, this aspect was presented in general rather than specific terms. Allowance was made, moreover, for structural measures and for help to infant and uncompetitive new industries.

Trade-off

It may well seem to the outsider that this proposal was not only certain to be rejected by many members but was so loosely-framed as to be of little practical value. It is probable, indeed, that the secretariat had some kind of bargain in mind. The abandonment of protective measures, even if in principle rather than in fact, was calculated to be particularly attractive to countries like Germany and Japan which are anxious to retain their competitive position in export markets. If they accepted this aspect of the plan, it may have been hoped, they could more easily be persuaded to accept the first, which would require them to accept a relatively large share of the common responsibility for collective action.

In the event, the plan as a whole turned out to be unacceptable to a significant number of Economic Committee members. It was widely assumed that the German Government would reserve any measures it was willing to take for presentation at the Economic Summit in July. But other representatives, too, felt that acceptance of the need for collective action did not require them to accept a detailed blueprint from the secretariat. They questioned—as it is always easy to question—the validity of its economic forecasts and therefore of the prescriptions based on them.

UK position

The decision of the Economic Committee not to accept the plan of the secretariat means that there will be no firm proposals for the OECD finance ministers to consider in a fortnight's time. Whether or not this makes the outlook for success at the Summit meeting more gloomy is a matter for conjecture: while the German government may well be holding its hand until then, the absence of papers from which to work will not make concerted action any easier. What is clear so far as the UK is concerned, however, is that the secretariat was right in proposing that the Government — especially after the further tax cuts pushed through by the Opposition and not yet offset — must follow rather than take the lead in any programme of joint action. Output now seems to have turned decisively upwards, while inflation has by no means yet been brought under adequate control. The uncertainty reflected in the latest CBI industrial survey must be set against the fact that UK prices, even now, are rising notably faster than the EEC average.

Third World knots from the IMF's strings

BY DAVID BELL

IT is a long way from the barricades of Lima to the headquarters of the International Monetary Fund in Washington. But last week's riots in Peru have again reminded the IMF of the hard social and political consequences that its policies can have.

In the past few years, and particularly since the oil crisis and floating exchange rates, the IMF has steadily expanded its role as the world's financial policeman. The money that it has to lend to countries in trouble has given it the power to impose conditions in return for its loans. And the Fund's willingness to withhold money until these are met has in turn given it enhanced credibility in the eyes of commercial bankers.

Thus, in countries as disparate as Jamaica and Turkey (not to mention Britain) IMF agreement to lend money has become a "seal of approval," an essential key to further loans from private banks or to make them more willing to roll over or extend existing facilities.

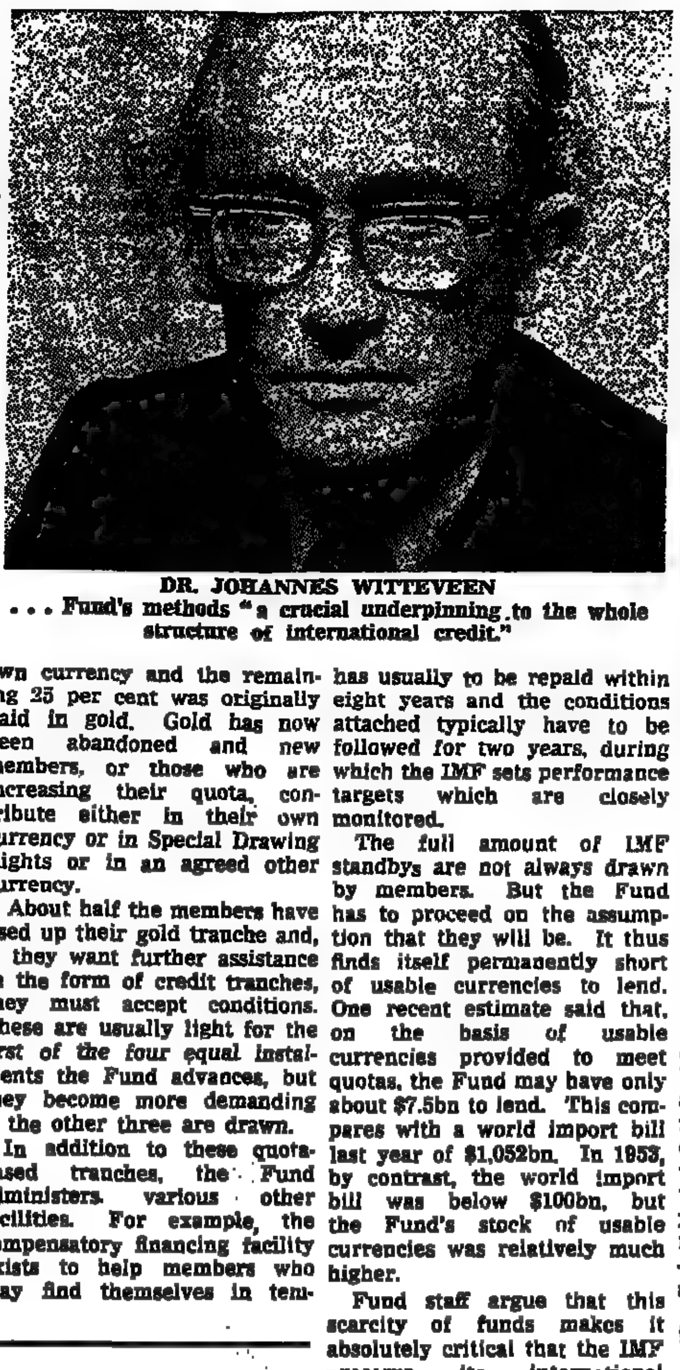
In the case of Britain, the conditions proposed by the IMF proved contentious and onerous, but they were never intolerable. Critics of the Fund charge that, by contrast, the terms that it sometimes demands from developing countries are more than those nations can bear.

Last year, after the IMF effectively insisted that Egypt reduce food subsidies to help cut bloated government spending, there were serious riots in Cairo. Last week, similar measures had similar results in Lima. The enormous strains within Jamaica have almost certainly not been eased by the programme recently agreed between the Fund and Jamaica's government and even in Turkey the conditions accepted by the Ecevit Government may yet precipitate a serious, possibly a fatal, crisis for the regime.

This has led some developing countries to accuse the Fund of applying the wrong solutions to the problems of the developing world, of forcing through major adjustments too fast, and of being relatively uninterested in the differences between countries.

In a speech earlier this month, Dr. Johannes Witteveen, the retiring managing director, acknowledged that the Fund's use of "conditionality" has now become a highly-charged political issue. But he concluded that "by promoting adjustment in this way, the Fund provides a crucial underpinning to the whole structure of international credit. This seems to me an increasingly important contribution to the continued growth of the world economy."

The Fund uses a rather clumsy word—conditionality—*as shorthand for this approach.* Each of the 134 members of the Fund have fixed quotas which are periodically increased. Three-quarters of them will have been paid in a member's



DR. JOHANNES WITTEVEEN
. . . Fund's methods "a crucial underpinning to the whole structure of international credit."

own currency and the remaining 25 per cent was originally paid in gold. Gold has now been abandoned and new members, or those who are increasing their quota, contribute either in their own currency or in Special Drawing Rights or in an agreed other currency.

About half the members have used up their gold tranche and, if they want further assistance in the form of credit tranches, they must accept conditions. These are usually light for the *first of the four equal instalments* the Fund advances, but they become more demanding if the other three are drawn.

In addition to these quota-based tranches, the Fund administers various other facilities. For example, the compensatory financing facility exists to help members who may find themselves in temporary balance of payments difficulties, perhaps because of a sudden fall in the price of a key commodity and the supplementary—or Witteveen—financing facility, which has yet to become available, is designed to increase the amount of money the Fund can make available.

> '. . . their economies are usually all but out of control . . .'

In recent years, the IMF has proved extremely flexible in *making up loans packages for* various countries, with the result that sometimes members can borrow much more than they would appear to be entitled to at first sight. The money has usually to be repaid within eight years and the conditions attached typically have to be followed for two years, during which the IMF sets performance targets which are closely monitored.

The full amount of IMF standbys are not always drawn by members. But the Fund has to proceed on the assumption that they will be. It thus finds itself permanently short of usable currencies to lend. One recent estimate said that, on the basis of usable currencies provided to meet quotas, the Fund may have only about \$7.5bn to lend. This compares with a world import bill last year of \$1,052bn. In 1953, by contrast, the world import bill was below \$100bn, but the Fund's stock of usable currencies was relatively much higher.

Fund staff argue that this scarcity of funds makes it absolutely critical that the IMF preserve its international credibility. If that should be compromised, the consequences could be serious and this is a concern that is never far from the minds of the small group of senior executives that run the organisation.

The Fund argues that by the time most developing nations approach it for assistance, particularly standby loans, their economies are usually all but out of control. Usually they have large amounts of private debt which they can no longer service and which commercial banks refuse to supplement. Often reserves have been depleted, perhaps because of a prolonged slump in demand for the country's major export.

At the same time, partly because of the oil crisis and partly because it has become politically attractive to subsidise food or investment, budgets are too large. Exchange rates may have been kept artificially high so that exports are not competitive and imports are mounting. All these problems are often exacerbated by inflation that threatens to reach epidemic proportions.

In the face of this, Fund programmes vary from country to country. But almost all call, first, for a reduction of the rate of expansion of domestic credit (DCE) in order to help curb inflation. Second, exchange rates must be adjusted so that they actually reflect differential inflation rates and make exports competitive. Third, strict budget ceilings are proposed the better to balance expenditure, and income and borrowing limits are also imposed. If possible the Fund prefers, as in the case of Turkey, to gain agreement on these well before the actual standby loans become available.

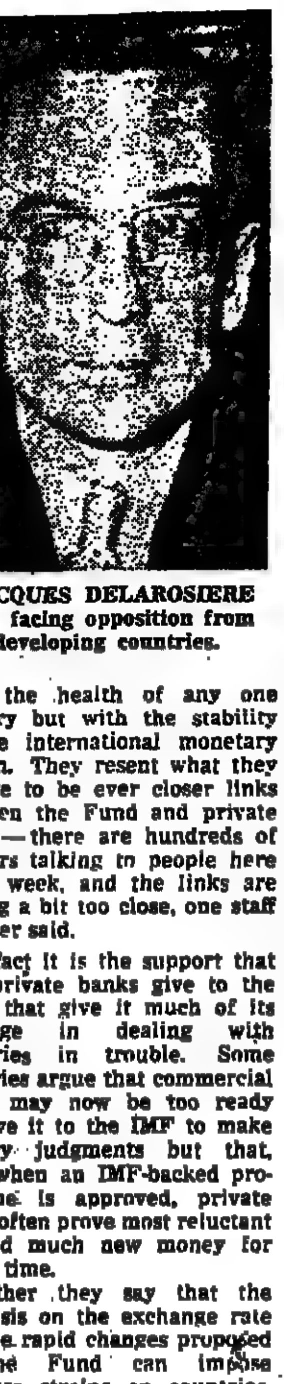
Any medicine prescribed must work quickly if real disaster is to be avoided and even the most rudimentary central banks and civil services usually have statistics that cover these three areas so that the IMF is able to monitor the implementation of its programme. By concentrating on broad figures like DCE or overall budgets, the IMF says that it steers a wide berth around the politically sensitive issues of which items (defence? food subsidies? education?) should be cut.

As a result, most countries are on the way back to some kind of external balance within a relatively short time. In his speech, Dr. Witteveen, setting aside charges that the prescription may be wrong altogether, *did concede that some critics* believed that "the pace of adjustment that the Fund looks for is too rapid." In the light of this, the Fund is now coming to accept the two-year standby as the norm rather than the one-year period that was customary in previous years. And built in—but flexible—targets are now also common.

Because the Fund tends to intervene only when the situation becomes critical, Dr. Witteveen said, it is "inevitable that at least the initial corrective measures would be painful." But in the long term, a realistic exchange rate could not but help a country because "by appropriately pricing capital goods which developing countries for the most part import (it) encourages the substitution of capital and this *helps to promote employment.*"

> '. . . the Fund is chronically short of resources . . .'

But many developing countries see the problems quite differently. They argue that the Fund's first, and often overriding, preoccupation is not with the health of any one country but with the stability of the international monetary system. They resent what they believe to be ever closer links between the Fund and private banks — there are hundreds of bankers talking to people here every week, and the links are getting a bit too close, one staff member said.



JACQUES DELAROSIERE
. . . facing opposition from developing countries.

In fact it is the support that that private banks give to the Fund that give it much of its leverage in dealing with countries in trouble. Some countries argue that commercial banks may now be too ready to leave it to the IMF to make country judgments but that, even when an IMF-backed programme is approved, private banks often prove most reluctant to lend much new money for a long time.

Further they say that the emphasis on the exchange rate and the rapid changes proposed by the Fund can impose immense strains on countries. Claims that the IMF takes great care not to impose specific policy remedies are brushed aside.

"The fact is that they know what the consequences will be if they say the budget must be reduced, that cutting a subsidy is usually the only choice," said one African. The Fund's faith in the workings of the market, he added, can result in great hardship for the very poorest people in countries affected.

The charge is also made that the Fund can do nothing to discipline countries whose trade surpluses may be just as disruptive as the deficits of other nations. This is one charge the Fund would probably accept. But ever since it was founded the Fund has been unable to bring much influence to bear on countries that do not need its help. The new *IMF* exchange rate surveillance powers, which have just come into force, may make a difference here.

Another constant theme is the resentment that many developing countries still harbour against the influence of rich countries such as the U.S. and Germany. The Fund is chronically short of resources to lend, but recently it has not been able to increase its quotas as much as it would like because of opposition from some parts of the industrialised world.

At the recent interim committee meeting in Mexico, for example, the Germans once again argued that a larger quota should be accompanied by an even greater measure of "conditionality" than at present. (The Fund still allows countries to draw the first quarter of their assistance effectively without strings and then sets tougher conditions for the final three tranches.)

This has been one reason for *opposition among developing* countries to the appointment of M. Jacques Delarosiere as the new managing director. Some countries feel him to be out of sympathy with their needs and, as a French civil servant by training, too ready to take "instructions" from large shareholders in the Fund like the U.S. or Germany.

Finally, there is a range of political objections to the Fund's prescriptions. Most countries in serious trouble have fragile democratic governments at best. By insisting on quick results and "decisive" action the Fund seems implicitly to be favouring a "strong man" approach which sometimes seriously weakens democratic governments.

The debate raging about this is intense. But even those most critical of the IMF are forced to concede that without it the situation, at least in the short term, would be very much worse. In their turn, many Fund officials are well aware that longer-term problems need tackling but they say that this cannot be their job.

For the purpose of a standby is to buy breathing space, to give countries a chance to reorganise. If this means that countries are forced to play by the Fund's rules, then "they have an alternative which is to tell the Fund to get lost and risk almost certain insolvency," one official said.

So far, the Fund has shown itself most ready to acknowledge political obstacles and objections in developed countries such as the UK and Italy. In some other nations, like Turkey, the West recognises that it is very much in its wider interest to prevent the government from collapsing.

But the Fund may not have been quite so accommodating in the poorer countries where, so far, the medicine has often seemed the hardest to swallow, principally because small economies respond much more quickly and much more starkly to IMF remedies. This causes resentment and a political problem for the Fund which it has yet to resolve, but one which it is unlikely to be able to ignore.

MEN AND MATTERS

Going West —not East

A little-noticed aspect of the decision of Bob Malpas to give up his place as the youngest member of the ICI board, is that he has chosen to throw in his lot with one of the hardest critics of East-West trade in the U.S. business community, Ralph Landau.

Landau is chairman of Halcon International, reckoned to be one of the largest privately-owned chemical companies in the world. From the platform of the Society of Chemical Industry in Vienna last autumn he launched a vitriolic attack against the level of western lending to the Comecon bloc, the "misguided" transfer of technology and the "mindless" way this would undermine Western markets. It could be unhesitatingly predicted, he said, that "the results will be unfavourable for the West European chemical industry, particularly when it is realised that Communist governments can price their products at any level to earn much-needed foreign exchange."

Ironically, Malpas who delivered the keynote address to the conference—was at that moment fresh from having helped to fix up ICI with just such a deal, namely to sell the company's methanol technology to the USSR. It was admittedly ICI's first venture into compensation trading, but it means the company will become responsible for finding space in hard-hit western markets for much of the methanol the Russians will ship to Europe to pay for the plant.

It was scarcely a deal to please the hardline principles of the prospective boss. But Malpas thinks they will be able to live together. "Ralph has a more general thesis, but you also have to take into account supply and demand for particular products."

But the two have found more common ground over the question of incentives. With Halcon, Malpas says his take-home pay will be several times higher than he is able to earn here. He was previously chairman of ICI Europa, headquartered in Brussels, and has spent about 12 of nearly 30 years with the company in foreign countries. As a director his pay last year was between £55,000 and £62,500 (a married man with no children would be left with take-home pay of between £16,800 and £17,700). But now Malpas has decided to give up his chance of chairing ICI in order to seek his fortune across the Atlantic.

Canada's guest

A sign of the fast-changing times in Rhodesia has been the discreet release of the country's longest-serving political prisoner. He is John Conradie, the university lecturer who, in 1966, was sentenced to 20 years in jail for concealing a packet of explosives in his rooms. With the minimum of publicity, Conradie was whisked out of Salisbury and is now enjoying—after 12 years in a cell—the open spaces of Canada. He has been taken on the staff of Brooks University, Ontario.

Gulliver's men

Yet another close associate of James Gulliver is joining the supermarket chain which is the likely vehicle for Gulliver to make his expected return to food retailing at the end of this year. Roy Seamark, 38, has resigned as a director of Fine Fare to become managing director of Morgan Edwards—a founder member of Spar wholesale and retail grocery consortium.

Gulliver, former chief executive of Fine Fare and Oriel Foods, is currently prevented from taking an interest in food

retailing by an agreement with RCA—which took over Oriel Foods for £11m in 1974. This agreement expires at the end of 1978. *It seems that a seat is* being kept warm for him at Morgan Edwards. Two of his former associates at Fine Fare and Oriel, Alistair Grant and David Webster, are already on the board and have a 29.5 per cent stake in the company—with an option to increase this to 36.2 per cent.

The stake is held by a new company, Avonmiles, of which Grant and Webster are directors. They have had a long relationship with Gulliver and are directors of his master company, James Gulliver Associates. They are also directors of Alpine Holdings of which he is chairman. Financial backing for Avonmiles comes from merchant bankers Noble Grossart. Seamark will also join the board of Avonmiles. He was considered one of Gulliver's right hand men in the early 1970s, as general manager of Fine Fare's large stores division.

Gulliver, mindful of his agreement with RCA, declines to comment on whether he plans to join Morgan Edwards next year.

Gang of millions

For years starry-eyed Westerners went to the new China and came back saying Peking had eliminated crime. What are they going to make of the latest situation? Only the other day Changchun radio, in Kirin province, part of the old Manchuria, announced there were just too many criminals to punish. Admittedly this has come in the wake of the political uproar that accompanied the Gang of Four's heyday, but it is a surprising admission for a country that many took to be the new Utopia.

"It is somewhat difficult to deal with those who harmed others," said the radio, "especially those chief criminals and murderers . . . When the dependants of the victims ask for the chief criminals and murderers to be punished in accordance with the law, we should punish some of those who have aroused the people's indignation, but not all of them. That is because, if we were to punish all of them in accordance with the law and the general rules, there would be too many people involved."

Summed up

The current meeting of OECD economic ministers in Paris is not having much success in agreeing on a joint recovery programme. Hardly surprising, when you consider the main heads of discussion. These are PAP, CRAP and ROT, meaning respectively Positive Adjustment Policies, Concerted Recovery Action Programme, and Realistically Optimistic Targetry.

Observer

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FINANCIAL TIMES SURVEY

Wednesday, May 31, 1978

Sri Lanka

So far, Mr. Junius Jayewardene's year-old government has been unsuccessful in fulfilling all its election promises, notably its declared intention to reduce unemployment. But investment projects are being implemented, and although some of the government's recent measures may appear restrictive, there is evidence of growth and development.

Sri Lanka offers unique opportunity to investors

Sri Lanka offers the most alluring terms to would-be investors and entrepreneurs. Here is a wealth of raw material. Here is a skilled and highly adaptable workforce, which is in high demand all over the world. Here is a central and completely autonomous authority which facilitates ease of operation. Here are maximum tax benefits. Besides, Sri Lanka is strategically located, with the pleasantest climate and environment, with international hotels and sophisticated global communication facilities. Make maximum use of such advantageous terms. Invest in Sri Lanka.

Adaptable Workforce

A reserve of over a million educated, intelligent, skilled and highly adaptable young persons are available for employment at a comparatively low wage structure. The services of professionally qualified English-speaking engineers, accountants and management personnel are also available. The skills and adaptability of the Sri Lankan workforce are such that they are now being sought after in all parts of the world.

Autonomous Authority Directly Under Executive President

An autonomous statutory authority known as the Greater Colombo Economic Commission has been established and is placed under the direct supervision of Sri Lanka's Executive President. The Commission is vested with all powers required to approve and facilitate foreign investments, thus eliminating red tape and lengthy procedures The Commission has direct jurisdiction over all enterprises located within the area set apart as Investment Promotion Zones.

Maximum Security

Investment guarantee agreements have already been signed with the United States of America, Federal Republic of Germany and are being negotiated with the United Kingdom. Several more will follow with other countries.

Tax Benefits

A tax holiday, averaging 5 years for investments and foreign personnel attached to those projects, has been declared. Non-resident shareholders' dividends will be free of control and additional taxation. No tax on transfer of capital, returns and proceeds of liquidation. After the 5 year tax-holiday 2% tax on sales outside Sri Lanka, 5% tax on sales in Sri Lanka, 10% tax on royalty and technical service payments.

In addition Double Tax Relief for investors has been negotiated with a number of countries.

Off-shore Banking

Local general banking and off-shore banking facilities are authorised for foreign banks on a case by case basis. In addition secret numbered bank accounts will also be permitted.

Well Developed Infrastructure

All facilities required for smooth operation have been assured, for instance in telecommunication, transport and freight services. Eleven international airlines operate through Colombo. Research and management services are available. International hotels in Colombo guarantee excellent accommodation. Recreation could be unlimited as Sri Lanka can boast of some of the world's most beautiful beaches, golf links, ancient historic cities, mountain resorts and nature reserves.

To add to all this, you are in good company. Several international firms are already in operation in Colombo. Some of them are: Bata, British American Tobacco, Danto, Glaxo, Hoechst, C.Itoh, IBM, ICI, Marubeni, Metal Box (Singapore), Mitsubishi, Mitsui, Noritake, Pfizer, Philips, Prima, Shell, Sony, Teijin, Unilever, Union Carbide.

The triple-hooded cobra of ancient Sri Lankan mythology is traditionally believed to be the guardian of the natural wealth of the land and signifies protection for your investment.

GCEC

Greater Colombo Economic Commission

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Cables: Econcom. Telex: 1332.

Grant K & E 614

Aiming for stability

SMALL ISLE though it may be, Sri Lanka likes its politicians to deal in large promises. Mr. Junius Jayewardene has not been a disappointment. In the elections last July, he announced he would end unemployment, bring down the cost of living, uphold the socialist tenets of the country's munificent welfare state, and establish a free trade zone which would repeat the capitalist miracle of Hong Kong and Singapore.

Voters, weary of the lack of jobs and rising prices of Mrs. Sirima Bandaranaike's seven-year-old left wing coalition, responded by giving Mr. Jayewardene's United National Party (UNP) the largest majority in Sri Lanka's post independence history. He has been lucky in that since then there has been so little popular backlash to the impossible expectations he aroused.

Behind this electoral extravaganza, Mr. Jayewardene is an experienced and serious politician, and at over 70, an elder statesman who has set himself two main tasks. The first is to end the instability in government by which he came to power but which has made it politically impossible since Independence for any government to take unpopular decisions.

One of his first acts on coming to power was to use his two-thirds majority in the Assembly to revise the Constitution so as to enable him to step down as Prime Minister and become the nation's first Executive President. In this role he is both head of state and of government, able to dissolve Parliament but not to be dismissed by it. He has thus set aside the Westminster tradition of parliamentary democracy with which Sri Lanka has lived since Independence, and replaced it with a presidential system whose inspiration is clearly drawn from Gaullist France. By further bringing in proportional representation, he has also made it extremely unlikely that any new government will have the majority to reverse this change.

It is easy to characterise this measure as a slide towards dictatorship—and the President's opponents have been quick to do so. But Mr. Jayewardene himself is not of this stamp. An admittedly patrician figure from a long established Sinhala Buddhist family, he has a quiet, informal manner and is readily available to his colleagues though he has a liking for the ceremonial of presidential power. His belief that administrations in Sri Lanka have lacked the authority to handle intractable problems of development is a long held one. The dangers lie in some of the other legislation he is putting through, which has the force of a constitutional amendment, such as depriving magistrates of the power to grant bail for serious offences and compelling them to inflict minimum sentences. This is incorporating into the Constitution measures aimed at terrorist organisations which before had only been used during a declared state of emergency and which could now be used to curb unwelcome opposition groups.

Mr. Jayewardene sees his second task as creating sufficient jobs to render unnessary much of the country's extensive welfare programme which the economy can no longer support. Unemployment, at a fifth of the labour force, is concentrated in the age group of 17 to 31 with a large proportion of secondary school graduates.

It was unemployed youth, mainly arts graduates easily drawn to Marxism, who were behind the 1971 insurrection which required the assistance of foreign troops to put down.

During the elections and immediately after, the President talked grandiosely of major projects that would bring unemployment down by leaps and bounds—the acceleration of the Mahaweli Irrigation Scheme from 30 years to six, the Greater Colombo Development Plan, the creation of the free trade zone outside Colombo, and a self-help housing programme. The UNP had done little homework on such schemes out of office, and found that Mrs. Bandaranaikes' regime was also well behind in formulating development proposals. The accelerated Mahaweli Project alone, as originally conceived by the President, would have absorbed the Government's total capital budget over the next five years.

These plans have now been brought down to much more manageable proportions, though the details have still to be fully worked out and incorporated into the medium-term development plan now being worked out. The accelerated Mahaweli Project will now involve the construction of four major reservoirs (instead of 12) and the subsidiary feeder canals. At a cost of Rs11bn it will still absorb a fifth of public investment over the period and hopefully create 400,000 jobs during the peak of construction. There are probably other, cheaper methods of raising agricultural output and employment, but the Mahaweli has the advantage of being an eye-catching venture out of which the Government can gain much needed political mileage to offset the unpopularity of cutting subsidies.

As for the free trade zone, a modest start is to be made on a 600 acre site at Katunayake near Colombo Airport, with the infrastructure due to be ready early next year. From declaring that the zone would be open to "robber barons," Mr. Jayewardene now takes the more realistic view of saying that he wants to discourage companies which are out "for a quick buck and then run away."

At the same time as moving forward on these larger schemes, which are unlikely to show real returns in terms of jobs for about 15 months, the government has taken a number of long overdue steps to open up the economy. The two-tier exchange rate was abolished last year and the rupee allowed to float. Import controls have been liberalised to enable industry to obtain the spare parts which have kept plants working well below capacity.

All these measures had the support—were indeed prompted—by the IMF, which last year extended Sri Lanka a $110m stand-by credit as the first drawing under a potential three year extended fund facility programme. The IMF had been wanting a more radical cutback in subsidies — and is likely to press for it in July when a new mission arrives in Sri Lanka. But the stand-by cleared the way for a much larger volume of concessionary aid, with pledges from donor nations rising by 42 per cent this year to $370m. But the immediate impact of the measures has been an unpalatable increase in prices with inflation running at about 30 per cent on an annual basis. The government hopes to bring this down rapidly to 10 per cent.

Even with such a large electoral majority, there are limits as to how far the President can push. He is constrained by a bureaucracy demoralised and no longer used to handling major investment programmes.

His ministers, like Mr. Ronnie de Mel at Finance, Mr. Gamini Dissanayake at Irrigation and Mr. Lalith Athulathmudali at Trade, are young, bright and enthusiastic, but inexperienced in their departments.

In spite of the decline in tea and rubber production following Mrs. Bandaranaike's nationalisation of the estates, public opinion would never allow a return to private management. It also favours the retention of the Business Acquisition Act as a symbol of the right to public ownership—more so perhaps since the private sector is so anxious to see it removed.

The Government has been chipping away at trade union powers through banning political strikes and trying to remove the control of political leaders over the unions. But it had to backtrack on its draft industrial relations bill after strong union pressure against what the unions considered an infringement of their rights. Nonetheless, there has been less labour agitation than might been expected—perhaps because of continuing memories of the failures of Mrs. Bandaranaike's left wing coalition.

The Government is also taking on the students. Universities and schools have been closed for a number of weeks this year, after clashes between Marxists and UNP followers—possibly inspired by UNP attempts to wrest control of student organisations from the Left. The Government's response has been to send the students home in the belief that angry parents will both force their children back and force them to take their studies more seriously. None the less, student unrest remains a major long term problem while the number of jobless is so large.

The most immediate and serious challenge to Mr Jayewardene's regime has been the least expected. The Tamil minority living in the north and east of the country scored a major success in the election when its political arm—the Tamil United Liberation Front (TULF)—won 18 seats in Parliament, making it the largest opposition party in a predominantly Sinhalese state. The TULF had campaigned for a separate Tamil state. Their victory in July was followed in August by the worst communal riots between the Tamils and the dominant Sinhalese population that the country had seen for years.

Since then, a terrorist organisation called the Liberation Tigers of Tamil Elam has emerged and claimed responsibility for 11 murders including five police officers. The President this month moved police and army reinforcements to the north to hunt down suspected members of the organisation. He also greatly increased the powers of the courts to hold suspects and imprison those convicted on the grounds that the police were demoralised at being unable to pin down the guilty. Behind these moves lies the fear of a fresh outbreak of communal violence far more serious than in August.

Communal tensions run high in the north, and among Sinhalese in the south there are ominous signs of a blood lust. The Government feels it has gone far to answer Tamil grievances over discrimination in education and jobs. But the Sinhala population is not going to permit the devolution of power that the Tamils want—and Mr. Jayewardene as a traditionalist Sinhala Buddhist is not likely to offer it. His own proposal, however, to allow the Tamils their own district ministers, does not begin to meet their political aspirations. The deadlock presages an explosive situation which the President is the first person to admit could sabotage his development plans.

David Housego
Asia Correspondent

Return to the open market

SRI LANKA sheds economic philosophies almost as easily as its sheds governments. In the late 1960s the United National Party (UNP) Government put its weight behind the expansion of the private sector and the development of import substitution industries. This was reversed in 1970 when Mrs. Bandaranaike's left-wing coalition took office on a programme of nationalisation and redistribution of wealth.

Under President Jayewardene there has been a return towards a more open, market oriented economy. But the real innovation of his administration is that it is the first in two decades to make a serious attemp to cut back on the welfare programme, which the economy can no longer support, by trying to replace subsidies with jobs. He has yet to spell out in detail how he will achieve the necessary increases in investment and output. But the initial measures of his regime are a step in the right direction.

Support has come from the IMF—which indeed prompted much of the programme—and which last year provided a stand-by credit of $110m. The IMF is prepared to allow further drawings under the three year extended fund facility provided that after further consultations in July it is convinced that the Government will make an additional shift of resources away from subsidies and transfer payments and into public sector investment. Donor nations in the Aid to Sri Lanka consortium have also extended a welcoming hand by raising their pledges of new concessionary aid from $260m. in 1977 to $360m. this year. Commercial banks, which have shied away from lending to Sri Lanka for years, are now pushing funds in its direction but are being told that they are for the moment not needed because of the flow of official aid and because the foreign exchange reserves are high.

Mr. Jayewardene's immediate problem is to ride out the unpopularity of further rises in the cost of living as his initial measures of opening up the economy begin to take effect.

In pressing the need for unpalatable decisions his task has undoubtedly been eased by the dismal performance of the economy in recent years. On the yardsticks of literacy, health and nutrition, Sri Lanka has scored high among developing nations, but unemployment has climbed to 1.2m or 20 per cent of the labour force. GDP in the 1970s has averaged 3 per cent a year as compared with a still-modest 4.4 per cent in the 1960s.

In part this record of stagnant growth has been the result of the high level of welfare payments which absorbed over a third of Government revenues last year. But Mrs. Bandaranaike's clumsily handled nationalisation and land reform programme also resulted in declining tea and rubber production—the island's two key export commodities—and flat industrial output. Currency and import controls encouraged a flourishing black market while depriving industry of spare parts and raw materials, which reduced many plants to operating at only 40-50 per cent of capacity.

The new Government has been cautious in going about its reforms. After taking office in July Mr. Ronnie de Mel, the Finance Minister, allowed a token depreciation of the rupee. Among the more blatantly populist acts of Mrs. Bandaranaike's administration had been a bid to win pre-election popularity by a 20 per cent revaluation designed to cheapen imports.

The depreciation of the rupee was followed in Mr. de Mel's November budget by a long overdue abolition of the two tier exchange rate—a premium rate had been available to tourists and on certain items of trade. The newly unified rupee was allowed to float at an initial parity of Rs 16 to the dollar, implying an effective 50 per cent devaluation. This was accompanied by a relaxation of import controls and foreign exchange regulations.

The budget also made a start on phasing out subsidies by restricting the rice ration to households with incomes of Rs 300 a month or less—about half the population. Wheat prices have since been allowed to rise as well. But to offset this—and to underscore the shift to incomes based on wages not subsidies—salaries were raised by 25 per cent. A Rs 50 a month payment was also introduced for the unemployed but so far this has not been fully implemented.

In budgetary terms the impact has not as yet been great. Food, transport and welfare subsidies still amounted to Rs 3.5bn or 34 per cent of Government receipts this year. This is equivalent to 8.4 per cent of GDP or marginally less than the 9.4 per cent recorded in 1977 after adjustments for the change in the value of the rupee. The IMF had pressed for a far more radical programme that would have made available about Rs 3bn from this year's subsidy programme for a national development bank. But as it is capital expenditure will rise this year as a proportion of GDP by a modest 3 per cent to 9.6 per cent.

Still to be worked out are the timing and extent of the next cuts in the subsidy programme. This is a major political decision for the Government. It would ultimately like welfare payments to be confined to those most in need. An IMF mission to Sri Lanka in July will take up the issue, as well as the financing of the new development plan that carries the country up to the end of 1982. The details are still being worked out.

Public and private sector investment over the period has been tentatively set at Rs 60bn at current prices. With little prospect of a substantial increase in domestic taxes, which are now largely drawn from export duties, this would require the real value of subsidies to be reduced by about two-thirds from their present level by 1982.

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BASIC STATISTICS

Area	25,332 sq miles
Population	14.3m
GNP	Rs 26bn
Per capita	Rs 1,825
Trade (1976)	
Imports	Rs 4.9bn
Exports	Rs 5.3bn
Imports from UK	£17.9m
Exports to UK	£35.4m
Trade (1977)	
Imports from UK	£27.9m
Exports to UK	£58.8m
Currency: Rupee	£1=Rs 28.6

Awkward balance in politics

IN EVERY election in Sri Lanka since 1952, the Government party has been voted out of power. But there has never been a swing of the proportions of last year, which virtually annihilated the former partners in Mrs. Bandaranaike's left-wing coalition and gave the United National Party (UNP) its overwhelming majority. The main opposition party to emerge was the Tamil United Liberation Front (TULF), which campaigned on the platform of a separate state for the minority Tamil community. By any yardstick this unrepresentative balance of power in the Assembly is unhealthy.

In terms of seats the July election gave the UNP 140, the TULF 18 and Mrs. Bandaranaike's Sri Lanka Freedom Party (SLFP) nine, including her own and that of her son Anura. The UNP thus secured more than the two-thirds majority needed to put through constitutional changes. Mr. Jayewardene has used this strength to introduce the revisions to the parliamentary system, which he has long advocated, to end what has seemed endemic political instability.

In February he took office as the island's first executive President, resigning his post as Prime Minister and his seat in the Assembly. His new office gives him the power to appoint ministers (including ministers to head reorganised district administrations which he intends to establish), preside over the Cabinet and dissolve the Assembly but not be dismissed by it. He is freed from what he considered as an increasingly time-consuming chore for a Prime Minister of having to appear before Parliament. In this sense the executive is no longer strictly accountable to the Assembly, and the status of Parliament has correspondingly been reduced. His six-year term of office means that he will still be in power at the time of the next general election, raising difficult questions of the possibility of a clash between the President and a Parliament dominated by a majority not of his own party.

But to ensure continuity of Government Mr. Jayewardene has brought in proportional representation. This means that any future administration is unlikely to have the two-thirds majority to undo the changes he has made. Further amendments to the constitution are to be brought in to provide for the election of the next President, the holding of referendum (Mr. Jayewardene mentions that one question voters could be asked would be whether they would favour the postponement of elections), the listing of fundamental rights and the detailing of the power of the courts.

More dubiously Mr. Jayewardene is also using the UNPS' two-thirds majority to incorporate in the constitution what would otherwise be regarded as normal legislation. Thus recent bills outlawing the terrorist organisation, the "Liberation Tigers of Tamil Elam," depriving magistrates of the power to grant bail in cases of serious offences and obliging them to impose certain minimum sentences for those convicted, have been presented as constitutional measures. Mr. Jayawardene also talks—possibly loosely—of including commercial agreements made with the Free Trade Zone Commission as part of the constitution.

The UNP has its origins in the Senanayake family—which with the Bandaranaike family has almost ruled Sri Lanka alternately since independence. Mr. Jayewardene took over the leadership in 1973 after a split with Mr. Dudley Senanayake and proceeded to widen the party's appeal beyond the influential squirearchy and commercial interests with which it has been traditionally associated. He also brought more young leaders into the party—two of the key ministers in the present government, Mr. Gamini Dissanayake and Mr. Lalith Athulathmudali, in charge of irrigation and trade respectively, are under 40.

With some justification the UNP pojects its parliamentary party as including more men with professional qualifications than have been seen in past assemblies. It has followed the practice of its predecessors in clearing out its opponents from the bureaucracy, though not with the same ruthlessness as was pursued by Mrs. Bandaranaike in 1970 as a prelude to her nationalisation measures. Potentially more alarming is that it has let loose its youth movement to beat up Marxist opponents in the universities and to disrupt trade union agitation. But though the UNP's popularity has obviously been dented since the election, it has won the only two by-elections held so far — one admittedly in the strongly middle-class area of Colombo West, which was also Mr. Jayewardene's seat.

The constitutional changes are by no means totally unwelcome to the SLFP — the stronghold of the Bandaranaikes and the other main anchor is Sri Lanka's political system. If proportional representation had been in force during the last election, the party would have picked up 45-50 seats instead of nine. It has denounced the new powers of the President as potentially dictatorial, but as yet is not committed to removing them.

It blames the party's massive defeat on a combination of high prices, unemployment and the unpopularity of its MPs, who after seven years in power had become remote from the electorate. To that should be added the nepotism with which Mrs. Bandaranaike's regime was charged. A more rural based party than the UNP, it is currently going through a process of "democratisation" to remove its image of being dominated by a family hierarchy. Until there is a by-election in a rural area, however, there is no real way of testing whether there has been any revival in its electoral fortunes. But it is likely to be some time before its reputation of having let the economy run down and black marketeering flourish begins to rub off.

Although Mrs. Bandaranaike's regime has been showered with accusations from the present Government for abuse of power, the charges have not been pursued with the same personal bitterness that surfaced in India against Mrs. Gandhi. Mr. Ronnie de Mel, the Finance Minister, resurrected an old charge in Parliament of improper land dealings, and Mrs. Bandaranaike has responded by issuing a writ against him. A presidential commission is currently taking over her record in administration. But as old personal friends, Mrs. Bandaranaike and Mr. Jayewardene remain on good terms.

For the traditional Left the constitutional changes are far more serious. The Communist (Moscow) and Trotskyist Lanka Sama Samaja Party (LSSP) have long been major features of the political landscape—and are far less radical than their names imply. The communist leader Mr. Pieter Keuneman, remained in Mrs. Bandaranaike's administration as Housing Minister, almost until the end. Mr. Colvin de Silva, the LSSP spokesman has a love of parliamentary rhetoric reminiscent of Burke and was the author of the last constitution.

The strength of both parties lies in the trade union movement. They have been hit by the ban on political strikes and the Government attempts to remove union leadership from politicians. They could be perpetually excluded from parliament by a system of proportional representation as proposed, under which parties gaining less than 8.5 per cent of the vote in an electoral district lose their deposit.

The danger in this, as Mr. Keuneman is quick to point out, is of driving the Left underground towards "civil war." Such a remark is intended to raise echoes of the 1971 insurrection by Marxist youth. The Government has now let out of prison the leader of that movement, Mr. Rohan Wijeweera, and his followers. His Jathika Vimukthi Peramune (JVP) party remains in numbers the strongest of the young Marxist groups, appealing mainly to high school students in the 17-21 age band. But he seems more preoccupied with discrediting the established Left-wing parties than attacking the Government. His members say that their aim is not to overthrow the Government but "the system"—a tactical timing that suits Mr. Jayewardene. Other Left-wing youth movements, of which there are about 25, are less patient and talk violence more readily. At the back of any Government's mind is the knowledge that the 1971 insurrection was skilfully organised and that the leaders were given the advantage of drawing the lessons from their failure by being confined together in prison.

As yet, however, the Left has not really recovered from the mauling it received in the election. It has concentrated its activities on the universities and on opposing the proposed curbs on the trade union power, making surprisingly little mileage out of the economic situation. Its May Day rallies were well attended but were certainly not a demonstration of strength. In the meantime it is undergoing some soul searching to eliminate what Mr. Kueneman refers to as the Communists' "Right wing, opportunistic" tactics of the past.

As the main opposition party, the TULF claims to speak for both Tamil and Sinhalese. In practice it is committed to achieving an autonomy for the northern region quite unacceptable to almost every Sinhalese. It is rejecting the political solution as a way of appeasing local sentiments throughout the country. It knows that the Government will not grant the measure of devolution that it wants. It is thus caught on an anvil between its commitment to non-violence and the pressures from an increasingly militant Tamil youth movement to take a tougher stand.

David Housego

Open market

CONTINUED FROM PREVIOUS PAGE

Other preliminary assumptions behind the plan are an ambitious 5.5 per cent growth in real GDP, a 20 per cent marginal savings ratio, an annual 5 per cent increase in price output, an inflation rate of 10 per cent and foreign aid at least remaining constant in real terms.

The magnitude of the task before the Government is that at Sri Lanka's historic ratio of employment to output, it would require a 7 per cent annual growth rate to absorb new entrants to the labour force alone. One of the major constraints facing it is the inherited lethargy of the bureaucracy. As difficult to manage will be the balance of payments, where a continuing strong growth in exports is needed to finance the imports required for investment. The Government expects a wider trade and current account deficit but hopes to handle this through concessionary lending. It is projecting a sharp drop in the debt servicing ratio from its present high level of 22 per cent.

If businessmen have welcomed the liberalisation of imports this has not yet been transformed into much new private sector investment. Local firms have several reasons for holding off. Liberalisation is a two-edged weapon which also cuts deep into the margin of companies, which have enjoyed a long period of tariff protection for high cost production of often low-quality goods. The switch into export manufacturing that the government wants is a big step.

They are also still intimidated by the Business Acquisitions Act — used by the last Government as its main instrument for industrial takeovers. High deposit rates mean that there are attractive alternatives to investment.

This has thrown the weight so far of generating new investment on to the Government. Last November's budget, inevitably prepared in haste, reflects existing commitments and a margin to bring capital expenditure up to the peak achieved in 1976. It makes no real provision for the four main projects on which the Government is counting to create new jobs — the accelerated Mahewelı project, the free trade zone, the Greater Colombo development plan and the housing programme. Specific allocations for these projects will only show up in this year's budget.

At an estimated cost of Rs11bn over the next five years, the Mahaweli will alone absorb a third of public investment. At its height it should employ 400,000 people. It is arguably not the most efficient way of creating jobs or raising agricultural output. It is certainly no substitute for other measures of better water management and rural credit schemes that are needed to make more productive use of the land. But it is a justifiable attempt to capture popular imagination.

The free trade zone has also helped to dramatise Sri Lanka at home and abroad. Its impact on employment and industrial output will not be as great as Mr. Jayewardene originally suggested. In manufacturing the major increases should come from revitalising and expanding existing industries.

The temptations in this situation will be to create productive jobs in the public and private sector. There are already signs of this in the request to private industry to take on an extra 10 per cent of staff — probably no hardship after recent retrenchments and the much tougher labour laws the Government is seeking to enact. The new scheme of "job banks" for filling public sector vacancies initially through the recommendation of candidates by members of parliament has yet to prove itself and smacks of the old system of political patronage. Nonetheless the Government is trying harder than any of its predecessors to tackle the island's most fundamental problem of massive unemployment.

D.H.

The Tamil 'powder keg'

SINCE LAST year's general election the position of the minority Tamil community in Sri Lanka has become the major political problem of the Government of president Junius Jayewardene. The size of the community, who are darker-skinned than Sinhalas, is about 1½m out of a population of over 13m, but is boosted by another 500,000 when the Indian Tamil community working as indentured labour on the tea estates is taken into account.

This community is now represented by the Tamil United Liberation Front, which won 18 seats in the election, a small *number compared with the total* of 168 seats, but a figure which *in fact makes it the main opposi*tion party, for the former Prime Minister, Mrs. *Sirimavo* Bandaranaike, and her Sri Lanka Freedom Party only won eight seats.

Under the leadership of Mr. Appapillai Amirthalingam, now the official leader of the opposition, the TULF is performing three functions, leading debates against new policies of Mr. Jayewardene's Government, looking after the interests of the Tamils during a period of heightened communal tension, and striving for the implementation of the front's election platform that there should be independence for the Tamils, in a country called Tamil Elam.

The desire for independence has been enhanced by the increase in communal tensions, tensions which have been built up from the majority Sinhala side partly through long-standing prejudice and discrimination, and partly through anger at the audacity felt to be shown by the Tamils in demanding a separate state.

On both sides there is fear of an outbreak of racial rioting even worse than that which occurred last August when over 140 deaths were recorded. That started as a continuation of the political rivalry of the elections *but quickly extended into plain* communal strife. It was the *Tamils living in the southern* Sinhala parts of Sri Lanka who fared worst. *Businesses* and homes were attacked and burnt. Only a fortnight's dusk to dawn curfew and several thousand arrests restored the peace. In the meantime several thousand Tamils were evacuated to northern parts of the island by ship and air to face several months in refugee camps before they could be persuaded to return. According to Tamil sources, many families have remained and only the male members have returned south to act as breadwinners.

A unique part of the racial violence—the *Sinhalas* are Buddists, while Tamils are predominately Hindu—was that Indian Tamil indentured labour on the tea estates was also attacked for the first time. These labourers and their families are usually a third community, not having citizenship as a rule and not accepted as full Tamils by the Tamil speakers in the north and east.

Opinion

The degree to which a real independent Tamil Elam is desired and thought possible depends on to whom one speaks. Even within the parliamentary party there is a great range of opinion, with the leadership making a formal acknowledgement of the election platform before lapsing into political realities and declaring that there are several levels of autonomy and self-determination, of which complete independence is only the highest.

Politically active workers, both among the Tamil community in Colombo and the main town of the Northern Province, Jaffna, are more forthright in their demands, and it is possibly because of this difference that a terrorist movement called the Tigers has grown up in the past year, dedicated to winning independence by violence. Despite this organisation hitting only at what it considers to be Tamil traitors and collaborators, it has widespread passive support among the Tamils, a support not apparently based on fear.

President Jayewardenes Government has recently started a campaign to round up the Tigers, variously estimated in strength from between 20 and 30 to more than 200. Combined operations of police and army *units are beginning* to make sweeps of the areas in the Tamil-speaking provinces where the Tigers are believed to be *living* among *the local* population.

Investigations of the Tigers, the name of which is short for an organisation called the Tamil New Tigers Movement, indicate that it is at present a rather amateurish group without an ideology beyond independence and the use of violence. It was not hard to see why one Government official in Colombo described it, apparently confusingly, as "microscopic but serious."

The projected Tamil Elam state would encompass those areas where Tamil speakers are at present in the majority. Roughly speaking these are the entire Northern Province and the substantial part of the *adjacent Eastern Province*, where the main town is the old Royal Navy *anchorage* of Trincomalee. In terms of *economic viability it* is a dubious proposition, lacking all the export crops of Sri Lanka: tea, rubber, gems and coconuts. *Members of parliament of the* Tamil United Liberation Front, *however*, say that it will be self-sufficient in food and will be able to export rice, chillies, onions and fish. Trincomalee, would be developed into a commercial and intellectual centre. Whether Trincomalee or Jaffna would be the capital depends on the person to whom one is speaking.

It is said that such a state would be non aligned, being socialist and democratic. To the outsider it remains purely a nationalist movement with an ideology which may swing according to which foreign power may offer assistance. Despite reports in the Press of possible Libyan and Algerian interest, there is no proof of such assistance arriving yet. Support from abroad, particularly for the Tigers, seems to be based on foreign Tamil communities which provide funds and a propaganda outlet. Weapons appear to come from the black market or be taken *off victims*; there have been 11 murders so far, including seven policemen.

There is no indication yet of a *foreign involvement* as in the case of the North Korean assistance *during the 1971 student* insurrection. Nor is there proof *of any international* terrorist link, although the Tigers are *said to admire* the Palestine Liberation Organisation and see a parallel in their struggle with the IRA. So far neither they nor the TULF, which preaches non violence, have won any support from left-wing Sri Lankan organisations. Mr. Rohana Wijeweera, the former student leader detained for six years from 1971 and now a left-wing politician, condemns both the aim and the means of the Tiger terrorists.

Removed

In trying to meet Tamil *demands the Government has* already removed standardisa*tion in public examinations*, a procedure by which candidates were passed *in accordance with* their racial proportion of the population and which the Tamils believed worked against them. A third constitutional amendment, the report of which will be presented to Parliament in June, is expected to propose other measures to meet Tamil demands. These include equality in the use of language and educational and employment opportunities and the appointment of district ministers. The Government is obviously not happy, however, that the MPs of the Tamil United Liberation Front have refused to sit on the constitutional amendment committee, and despite their own principles of Gandhian non-violence, have avoided condemning the violence of the Tigers.

But the Government can get some satisfaction *from* the degree of co-operation being shown by India in helping it isolate extremism. The Indian coast lies just 15 *miles* from the northern part of Sri Lanka and is believed to be a refuge for the Tigers after their actions. The Indian authorities have already been collaborating on anti-smuggling patrols. Perhaps mindful of their own 40m Tamils living in the province of Tamil Nadu, Sri Lankan officials say they are getting some assistance in denying India as a base and source of weapons and funds to the Tigers.

Another possible solution being hinted at is some sort of devolution similar to that proposed between England and Scotland. These discussions are believed to be in a preliminary stage and on an informal basis between Government ministers and the TULF leadership. In fact it is not clear whether the rest of the parliamentary body is being allowed to involve itself. The acknowledged danger of this solution is again that it might prove inflammatory to popular Sinhala opinion.

Another danger is that it *might* be too late, for aside from the Tigers there are other *groups* also prepared to consider violence. The youth wing of *the TULF* itself says it is waiting for the constitutional *amendments* before it decides on its further action. And another *small* grouping, the Tamil Elam Liberation Organisation, *says it has only forsaken* violence, in particular bank robberies, in the past year to give the new Government a *chance*.

The slow moving bicycles and *tractors among* the agricultural plots of the jungles of northern *Sri Lanka* provide an unlikely hotbed of nationalist feeling. And even the Tamil youth, who share the unemployment common among young *Sri* Lankan people, yet fully support the Tigers, admit that police brutality has declined as those guilty of it have been transferred. However, for the time being the Sansohi Commission into the riots of last August is serving to remind and inflame feelings, while police morale remains low at their lack of progress against the terrorists. President Jayewardene has described the situation as a "powder keg," and it looks like remaining so for several months at least.

Simon Henderson

Trades unions under threat

THE JAYEWARDENE Government came to power last July saying that the trade union movement was in chaos and promising to reorganise labour relations. The disparate elements of Sri Lanka's highly developed trade union movement have since united to oppose a draft law on employment relations, and the Government has retreated with a declaration that its provisions will apply only to the public sector. Although the Government has the parliamentary muscle to push new legislation through, uncertainty continues to surround its specific plans.

The United National Party's original intentions were always rather vague. In its manifesto the party said that "organisations of employees managing their workplaces" would be formed "without political affiliation." There would also be regular elections and State supervision of the use of funds collected from paysheets. To a left-oriented trade union movement facing a new right-wing *Government it all looked like* a potential threat to its existence and a usurpation of its traditional powers.

Lobbying

Thus when union leaders thought that the four-man cabinet sub-committee drafting the law to embody the UNP's ideas might be planning to confine the organisation of labour to enterprises and even just factories, they began lobbying Government leaders, other trade union movements and international bodies. Some ordered token work stoppages in protest, and the Government assured the unions they were not threatened. In the event the draft law, published as a White Paper for discussion by the Government in January was everything the unions had feared.

Greatest resentment has focused on the proposal for elected employees councils, even though these are also to be the means of fostering worker participation. The unions see the council's prescribed funtion *of representing* workers and handling disputes as an attempt to make the unions redundant—or, as the union leaders themselves *put it*, to cause them to "wither away."

The councils—oriented *as in*tended towards the plant or enterprise and *elected* by secret ballot—would, for example, take up grievances. A council's decision that a grievance is not well founded would be final. When it is well founded, and an attempt to obtain redress from an employer fails, the matter would go to a conciliation commission of people appointed by the employer and council, whose decision would also be final. Strikes would not be allowed during the whole conciliation process.

The right to strike under the proposed law would be restricted in other ways too. All strikes would require 21 days' notice, and strikes in essential services would be prohibited. Anyone helping to further an illegal strike would also be guilty of an offence.

Job security, another benefit jealousy guarded by Sri Lanka's trade union movement, would also be affected. At the moment employers find it easy to hire but almost impossible to fire under the Industrial Disputes Act and the labour tribunal system. The 1971 Termination of Employment of Workmen (Special *Provisions*) Act has taken this still further, making it criminal to terminate employment (save on obvious grounds *where* a *worker has committed* a theft, for example) without the consent of both the worker and the department of labour.

The draft law repeals this Act, and makes employment terminable at one month's notice on payment of fixed compensation without resort to the Industrial Disputes Act. Employers say they will think twice before firing workers because of the sums involved, but there is little doubt that they welcome the proposal. The unions naturally see it as wholly retrograde. They say it makes job security illusory, especially by allowing arbitrary and capricious dismissals.

Representatives of 13 of the country's major unions joined together to reject the White Paper completely on the grounds that it suppressed the fundamental right to strike, deprived employees of the right to deal or bargain collectively with employers *through* their trade unions and empowered an *employer to get rid of any* employee without the employee *having any* redress. But the unions gave no reasons for their *rejection when they* delivered their verdict to the Government *in early March*. This would have opened the way to discus*sions on issues* which they see as non-negotiable.

A month later on April 6 and only two months after the White Paper had been published, the Minister of Labour *announced in Parliament* that the Government had decided to confine *legislation* based on the White Paper to employees in the State *sector only*. This legislation, his statement said, would make *provision* for the establishment of employee

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SRI LANKA V

Progress on trade zone

LAST YEAR Sri Lanka's proposed free trade zone looked ill-conceived, inadequately organised and over-ambitious. It had merited a mere paragraph in the United National Party's election manifesto before the July election. It was constantly referred to in vague and lofty terms as a "second Singapore." And as late as last January, when Parliament was debating the bill establishing the zone, Mr. Jayewardene even ventured that it should become a "capitalist robber baron's area."

Now ideas are coming face to face with reality and words are giving way to action. Work in the 200-square-mile free trade zone has become concentrated on infrastructural development for the first 200-acre phase of a small 570-acre investment promotion zone (IPZ) at Katunayake near Colombo's airport. And the five members of the Greater Colombo Economic Commission (GCEC) established to run the whole area are working carefully through 39 firm proposals which have so far emerged from a flood of enquiries.

The Commission, which is relying on its collective business experience to help flush out dubious suggestions and demands detailed *figures* with each proposal, has so far approved nine projects and allocated sites for two. It's target for the end of the year for the IPZ to receive electricity, water supplies, drainage and telecommunications links looks achievable, but a promised air cargo terminal and container marshalling yard are far less likely.

As ambitions have become more modest and the approach more measured, the zone is no longer being touted as a panacea for the country's ills or a magic wand to be waved for a secure economic future, and the Commission itself is in no rush to see projects installed. The zone is now regarded as something that cannot be established overnight or rendered successful in less than a few years. There is also an appreciation that western investors, worried about Sri Lanka's unattractive nationalisation and land takeover policies in the past, need convincing about changes now taking place, at a time when depressed economic conditions make them reluctant to invest.

The zone nevertheless offers attractive tax advantages. After a five-year tax holiday income tax on turnover would be 2 per cent on sales to countries outside Sri Lanka (5 per cent on sales in Sri Lanka) and withholding tax on royalties and technical service payments would be 10 per cent. Foreign personnel are to be exempt from tax, and dividends to non-resident shareholders will be remittable tax-free. There would be guarantees over the free transfer of capital, returns and proceeds of liquidation.

The Commission is assessing proposals according to Sri Lanka's own needs, so investment incentives are being determined on the basis of how much projects will generate employment, earn foreign exchange, develop technology and use local raw materials. Just how quantitatively and consistently this is done is unclear, but final terms are decided by negotiation.

The expectation is that most projects will be joint ventures with local partners, although there is no requirement to this effect. Companies would be locally incorporated, but shares would be freely transferable.

Controls

Imports of equipment, construction material and other inputs would be free of controls and of duty. Likewise export controls will be absent but export duties may be levied or exempted on finished goods in certain cases, at a rate depending on the capital investment and degree of processing of local materials and technology. In the case of rubber processing, duty would be expected to apply; at the moment there is a duty on the export of sheet rubber and a rebate is given on the export of crumb rubber, and this would be maintained for processing done in the IPZ.

Projects also stand to benefit more if they are sited in the IPZ rather than simply within the larger area of authority which is the Commission's free trade zone proper. Concessions on imports would nevertheless be available to projects in the area of authority but outside the IPZ provided they are 100 per cent export oriented.

Anyone wishing to establish himself outside the area altogether to be near raw materials requires the recommendation of the relevant Government department to benefit from any of the incentives available inside the area.

In the IPZ itself investors must pay an initial premium of Rs 300,000 (about £10,000) and an annual nominal quit rent of Rs 8,000 for a 99-year lease of a one acre site. The figures, which may be different in future zones and may even be negotiable (it depends on who you speak to whether this is so) are based more on the charges made in other free trade zones in Malaysia, India and Singapore than on a need to recoup infrastructural costs, which would have produced a figure of Rs 600,000.

Surprisingly, however, the premium does not undercut Sri Lanka's competitors, and is regarded by some as too high. The aim is apparently to attract investors who are prepared to stay and to amass the sorts of lump sums necessary to press ahead with working-class housing in the area.

Sri Lanka is also hoping to attract banks to the zone, but there has been little interest so far, because as one Commission member *puts* it, "there are no buildings yet." The idea, however, is to allow foreign banks to provide local and offshore facilities. Although this, too, would be on terms subject to final negotiation, banks coming into the zone would receive a five-year tax holiday and thereafter be subject to 5 per cent tax on offshore banking profits and 25 per cent tax on general banking profits.

The biggest question mark hanging over the free trade zone concerns labour—probably the one factor after capital repatriation facilities that prospective investors look for. The attraction Sri Lanka is offering is its low wage rates. At US$1.25 a day for skilled workers, US$1.00 for semi-skilled and US$0.80 for unskilled, they are among the lowest in the world.

Legal

The main worry over labour concerns the legal position. In January the Government published a draft law for discussion seeking to restructure industrial relations in Sri Lanka. The usually fractious labour movement united to reject it completely because it appeared to do away with trade unions altogether. The Government has since said that it will introduce a bill applying only to public sector workers. This has already raised some questions of how far the Government is prepared to press home its intentions.

Second, the bill which the Government introduced in Parliament to establish the GCEC gave the Commission special powers to prevent the formation of trade unions and to vary conditions of service and fix minimum wages. This was ruled inconsistent with the country's constitution, meaning that the Government would have to use its large majority to push it through. The Government instead withdrew the relevant clauses, saying that separate legislation would be introduced to make existing laws inapplicable to the free trade zone. This has yet to be done.

As a result of all this, unchanged labour laws apply in the zone. From the point of view of investors this means, for example, that it is a criminal offence (save in obvious cases where a worker has committed a theft) to sack a worker without the consent of both the worker and the Department of Labour—a provision which employers in Sri Lanka have railed against for years without success.

On the broader question of political stability in the country, which will also concern investors, the Commission says the free trade zone will be difficult for a different government to dismantle once it is established, if scores of factories are earning foreign exchange and employing thousands. In fact, the employment potential is unlikely to be much more than 10,000-12,000 in the first five years (projects approved so far are expected to employ some 3,000) and foreign exchange earnings are unlikely to be large—perhaps less than could be earned by sending workers to the Middle East.

The Commission also points to the stabilising effects of the Government's proposed constitutional amendment introducing proportional representation. The move is expected both to reduce the massive majorities governments have traditionally had with the swings in electoral sentiment, and to keep the United National Party, which traditionally wins most votes, in power.

Most interest appears to emanate from Asia. Reports of special interest from Singapore are difficult to gauge. Although Singaporean investors are obviously looking for outlets for their funds, Sri Lanka also has much to gain from Singapore in so far as it seeks to take on projects like garment manufacturing, which Singapore now finds less attractive. Cynics see Mr. Lee Kuan Yew's recent visit to Colombo as an attempt to monitor the progress of a potential competitor, and add that he left satisfied. But officials in Sri Lanka report genuine interest on the part of the team of officials he brought with him and keenness to offer technical assistance.

All the same, as one senior Commission member acknowledges, Sri Lanka still has to break through "30 years of administrative lethargy," and the capacity of the administration to galvanise Government departments and others into action remains an unknown factor. Businessmen planning a visit to Colombo this year should prepare for a minor disappointment if they expect to see an efficient airport and seaport, ready-made factory sites with good transport and communications links and a perfectly-running zone authority. If all this existed, they might have arrived too late.

Chris Sherwell

Unions

CONTINUED FROM PREVIOUS PAGE

councils, and these "will not take the place of trade unions that exist already but will be in addition to them." The legislation, *the Minister said*, would be introduced "shortly."

Officials at the Department of Labour are not saying whether it will be passed this year, and quite whether the Government's retreat represents a victory for the unions few unionists are categorically prepared to say at this stage. Mr. Bala Tampoe of the powerful Ceylon Mercantile Union, for example, believes it is, but Mr. S. Thondeman of the Ceylon Workers' Congress, representing mainly plantation workers, prefers to see it as a process of learning for the Government and a democratic response to public opinion.

Some union leaders meanwhile are continuing to mobilise their members against the planned legislation, and before May Day sought to take the fight on to a more openly political plane, a move that was rejected by others and has threatened to undermine the *unity forged* in reaction to the White Paper. Some State sector unions can be expected to try and resist the move to apply the law to them alone.

Much therefore depends on the political will of the two sides. The Government has shown firmness over a lock-out at the National Textile Corporation's largest mill, but at the same time has sought to improve the position of its own union at another mill. This is seen by some as part of the now customary and widespread practice of a new government replacing workers when it arrives in power—an ever-growing exercise in mass patronage which, in these particular cases, represents an attempt to get rid of opposition unions rather than unions as such. Some estimates put the number of workers dismissed since the July election as high as 10,000 and the number of "punitive transfers" of teachers at 17,000.

From the unions' point of view the high unemployment rate—over 20 per cent.—is hardly conducive to worker solidarity at shop-floor level. Again, political patronage is apparent: instead of implementing its promise to replace the "chit" system, which required a work-seeker to have a note from his MP, the Government's new "jobs banks" scheme is tending to operate in a similar fashion, leaving the unions no stronger but making many people who had high expectations of the Government more disgruntled.

The central bank, however, foresees an improvement on the employment front under the new policies of liberalising the economy, accelerating development projects and encouraging export-oriented foreign investments. For those in work, wages remain among the lowest in the world—about US$1.25 a day for skilled workers, US$1 for semi-skilled and US$0.80 for unskilled—and this is one of the main attractions the Government is offering to prospective foreign investors in the proposed free trade zone. Clarification of how the labour laws will apply there is still needed, however.

If labour unrest has tended to hamper growth in the past it now appears to be doing so less. Government figures indicate that the number of man-days lost through strikes has fallen during the past three or four years, and over the past 12 months the unions have tended *to confine* their opposition to the Government's proposed legislation to comparatively mild action.

A more important labour problem is posed by the exodus of professional and skilled manpower for employment abroad, particularly in the Middle East and Africa. The shortage of doctors and accountants has become acute, and the loss of skilled middle-level technicians and craftsmen, such as electricians, mechanics and welders, while boosting foreign exchange reserves and ameliorating domestic unemployment, could hold up future expansion. Businessmen are already complaining, but accept that the only way to cope is to train new people in the skills lost.

Businessmen also object fundamentally to the Government proposal for worker participation contained in the White Paper—one of the few ideas in it welcomed by the unions. Altogether it means that the UNP has brought a sterner face to labour relations in Sri Lanka, and may have set back rather than promoted the chances of tripartite involvement by management, labour and Government in economic policy.

Chris Sherwell

SRI LANKA VI

Industry needs a helping hand

IN ITS efforts to raise the low growth rate and reduce the high level of unemployment in Sri Lanka, the Jayewardene Government aimed a number of its 1978 budget measures directly at the manufacturing sector. As a result, Sri Lanka's "inward looking, heavily protected and controlled import substitution industry" (as the Central Bank itself describes it) is standing exposed to the rigours of outside competition—and no one is quite sure how the sector itself will cope.

The relaxation of most import controls, in a move which accompanied the floating of the rupee and unification of its exchange rate, removed at a stroke one of the main causes of the manufacturing sector's poor performance in the past—the inability to import raw materials, machinery and spare parts because of a shortage of foreign exchanges.

The move was made possible by buoyant tea and rubber prices, remittances from workers abroad and the prospect of further foreign exchange earnings from the proposed free trade zone. But its impact, together with a new import tariff structure and relaxation of price controls, may be limited for the economy as a whole because manufacturing's share of total output is small at 12.6 per cent—a level that has remained broadly unchanged for some 20 years—and it employs just 115,000 people.

Invigorate

The underlying aim, however, is to invigorate the sector itself, which in growing at less than 2 per cent a year over the 1970-1976 period (1972-76 target: 8½ per cent) and at just 1 per cent in 1977, has failed to generate employment and has steadily become uneconomic behind the shelter of protectionist barriers.

Mr. Ronnie de Mel, the Finance Minister, warned in his budget speech that public sector enterprises in particular, which account for some 55-65 per cent (estimates vary) of the value of manufacturing production, would not be permitted to function in an "inefficient and non-viable manner." He ended their import monopolies in items like cotton yarn, textiles, crude oil, fertilisers, milk, medicines and tractors, criticised the "alarming decline in standards of management performance" and promised greater autonomy to establish more realistic prices—save for fertiliser, petroleum and public transport.

This should help. The financial performance of both the Ceylon Petroleum Corporation and the National Textile Corporation, for example, has suffered by the refusal to allow price increases to cover higher raw material costs. And many state industrial corporations have found decisions on capital expenditure, factory location and recruitment being made after direct political interference.

In an attempt to end the inefficiency which has retarded growth in the past, the government has also put in private managements to run some enterprises—like the textile mills of the National Textile Corporation, which Mr. de Mel strongly criticised along with the Cement Corporation in his budget speech because of their low capacity utilisation. The overall warning has therefore become clear: operate efficiently from now, or go to the wall.

How far the Government is prepared to take this policy remains uncertain. In the case of the textile mills, labour problems have already appeared. At the Thulhiriya mill, which has not achieved 50 per cent capacity utilisation over the past five years, the new managers locked out strikers reacting to their efforts to end overstaffing. The strikers then received a letter—not from the management but from the National Employees' Union (NEU), which is aligned with the ruling United National Party (UNP). The letter advised that they could have their jobs back if they joined that union. Most returned.

On the other hand, the new management at another mill found the NEU complaining that its members were disadvantaged in matters like promotion after seven years of dominance by the previous government's union. In this case, senior UNP officials are said to have ordered that the necessary corrections be made. The management is refusing. At the heart of this issue is the now-established practice of new governments replacing employees from one union with those of another.

The private sector, which has also operated at low capacity but has generally been far more efficient than the public sector, is similarly expected to benefit by the easier access to raw materials, machinery and spare parts and the removal of the bureaucratic red tape (and black market) associated with licensing and controls. This is expected to make planning much easier and individual businessmen more ambitious.

Some of them may find it better to stop making certain goods now that they are freely available as imports. Some will be forced out of business, in line with the Government's view that a company unable to stand on its own two feet after 15 years of protection deserves to fall down. Certainly those who have exploited their sheltered existence to make high profits and shoddy goods face a tougher time. Poor planning and inefficiency will also be penalised.

However, the Government is not apparently expecting people to be thrown on to the job market. On the contrary, in anticipation of better times, and in return for "freeing" the economy, the Government has ordered companies through the chambers of commerce to take on 10 per cent more staff to ease the existing unemployment problem. Most employers appear to be obliging, even though the jobs created are unlikely to be productive. Their willingness is partly a reflection of the flexibility produced by labour-shedding in recent years. It is also a sympathetic response to a sympathetic government.

Another reason, though, is that so far the government's action on imports has actually been limited. Some items—food, fertiliser, precious metals and alcohol, for example—still require a licence. Others have had a tariff put on them, either to encourage investment rather than consumption, as in the case of luxury goods, or to retain some measure of protection for local industry, which in producing for such a small local market in the past has not benefited from the economies of scale that larger manufacturers abroad enjoy and would now stand to lose on both price and consumer preference for imports.

This continuing protection, though substantial, is not always consistent, and the Government has had to establish a tariff review committee to iron out anomalies. One local company found that an imported pesticide was more protected than its own, and the government soon responded. The committee is expected to provide the Government with an opportunity to develop a rational tariff structure as part of a coherent industrial policy.

Relaxation

As for the relaxation of controls, businessmen are not bursting to import goods, in spite of the years of pent-up demand. This is partly because many companies are simply not used to importing, or cannot find sources of supply (some of the newer firms don't even know where to look), and partly because importers are uncertain of the market and do not wish to be landed with goods they cannot sell.

The main reason, though, is that companies lack the ready cash which banks, themselves facing a liquidity problem, are demanding first. Only the State banks (the Bank of Ceylon and the People's Bank) have been in a position to mobilise savings easily, and they have mostly lent to State undertakings, where the rate of return has been low. This has tended to starve the private sector of working capital. With interest rates at 15-18 per cent, a devalued rupee and priority being given by the banks to essential industrial inputs, the slow pace is no surprise.

Survival

All the same, the Government wants to see things pick up. Businessmen respond simply that seven years of economic mismanagement cannot be shaken off overnight. They are quick to point out that the Sword of Damocles which made the past seven years a fight for survival—namely, the 1970 Business Acquisitions Act—is still hanging over their heads. This was applied extensively under Mrs. Bandaranaike's rule, and many businessmen have yet to receive compensation for takeovers made under the Act. Though the business climate has virtually transformed over the past year, they still want the Act repealed if they are to move into any large investments.

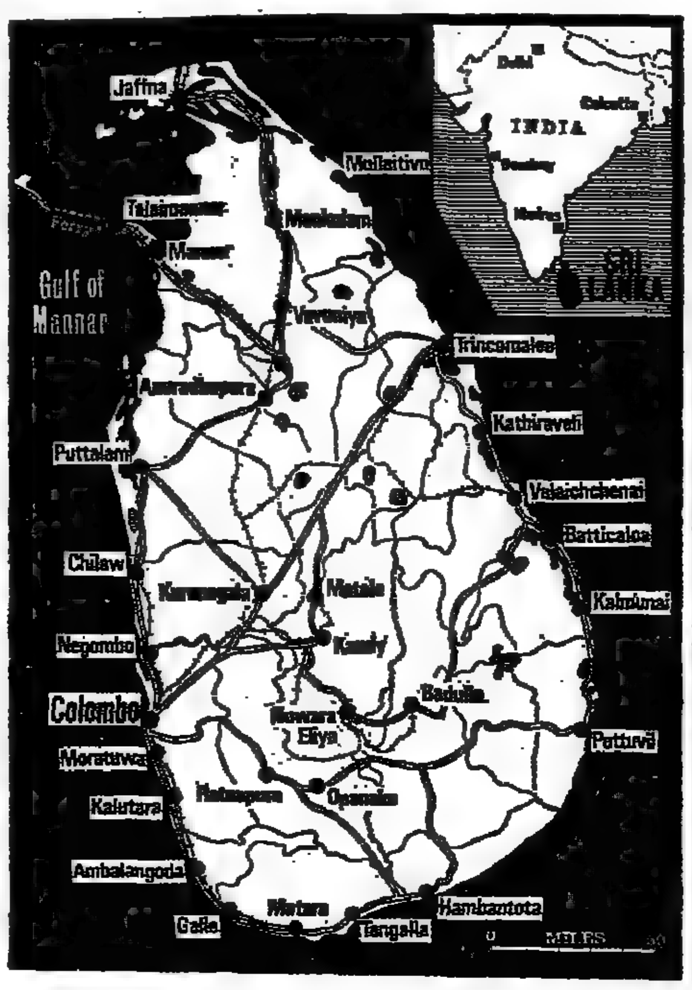
The loss of skills to the Middle East and Africa is another serious problem. The "brain drain" of accountants and others with administrative and managerial skills has deprived the large public sector of the talent it needs, and recruitment has not been helped by the limit on public sector salaries, which provides little incentive and throws the door open to corruption. Now the "brawn drain" of skilled and semi-skilled workers, numbering thousands each month, is preventing contractors tendering for projects, forcing engineering companies to upgrade their second-rung workers and causing worrying bottlenecks.

In the end, though, a major constraint on manufacturing growth is the small size of the domestic market. The hope is that exposure to competition from imports will so improve efficiency and product quality that export markets might begin to be captured and encourage expansion. Participation in joint ventures with foreign partners in the proposed free trade zone may stimulate this.

Export incentives tend to be inadequate, however, and further help may be necessary in the form of subsidies or tax concessions. This is especially true if manufacturing is to grow outside the free trade zone to ensure balanced development. Likewise, the tax breaks for small industries given in the budget may need to be reinforced if manufacturing is to generate more employment.

All this would have to be part of a coherent medium- to long-term policy to back up the new Government's overall aim of encouraging export-led industrial development. This has not materialised yet. For the moment the achievement has been to point policy in a new direction.

C.S.



Farming lacks funds

IT IS a constant surprise to the visitor to Sri Lanka that the apparently green and fertile island is not self-sufficient in food. And the visitor quickly finds out that substantial minority of the 14m population live in near poverty conditions. Also rural unemployment is as serious a problem as urban unemployment.

Like earlier governments the administration of President Junius Jayewardene is thus intentionally devoting considerable resources to the agricultural sector. The single most significant project is the irrigation scheme associated with the Mahaweli River in the North and East Central areas of the island. The project now being carried out in a more limited and accelerated form than the original 30-year scheme proposed by the UN Development Programme and the FAO in the late 1960s, is apparently also being used by the Government as inspiration to fire the political will for development among the population.

For the moment agriculture is largely in the doldrums, with optimism mainly based on the continuing high world prices for tea and rubber. Recent growth rates are unlikely to be sustained. Exceptionally, the rice harvest has been increasing, with the 1977 crop of 80m bushels an all-time record. Distortions in the market, however, persist because wheat, which has to be imported, is still very heavily subsidised. Rice has therefore also had to be kept comparatively cheap, meaning that the selling price for the farmer is still too low.

This is so even after the Government increased the price from Rs33 to Rs40 a bushel. The potential, however, is for greater yields as the Mahaweli scheme progresses further. While that may take time, farmers are aided by the stabilisation of fertiliser prices, which have remained unchanged despite devaluation and the need to import almost all fertilisers.

When eventually completed, the Mahaweli scheme envisages the irrigation of 900,000 acres of land and the generation of 2,037 MW of hydroelectic energy. Construction of a diversion on the Mahaweli River, up in the central hills around the town of Kandy, started in 1970. By 1976 two tunnels, a weir and canal improvements had been completed, and 70,000 acres of new land had been brought under cultivation.

The decision to accelerate the programme was taken in November 1977, and the main parts will be completed in five or six years. Even though the estimated capital cost has risen from Rs5.6bn in 1968 to Rs11bn on the revised programme, there is still considerable internal confidence of its success. Part of this comes from promises or near promises from the Aid to Sri Lanka consortium countries. They are expected to end up providing half the cash. A certain amount of budget strain is expected while Sri Lanka provides the rest of the money.

According to the Irrigation Minister, Mr Gamini Dissanayake, Britain has proved the fastest in showing its intention of support. A grant has been awarded, amounting to £60m, for work on the Victoria Reservoir—its full cost. Three-quarters of the work of information gathering has already been completed.

West Germany is said by the minister to be committed to the Randenigala multipurpose project and canal, while Sweden is committed to a share of the Kotmale project. Of the other schemes, attempts are being made to attract the interest of Japan in the moragahakandu project, while Sri Lanka itself will look after Maduru Oya reservoir project. Mr. Disanayake hopes that other consortium countries will individually or jointly accept responsibility for each of the remaining schemes in the 12 projects at present envisaged.

The minister's confidence, however, is not fully backed by the individual consortium countries. At this stage of the Mahaweli scheme not a clod of earth has yet been turned, and for several countries their readiness to offer capital assistance depends a great deal on the degree to which projects are considered viable, something which is not yet clear.

It is only now that the Japanese Government body, the Japan International Cooperation Agency, is sending a ten-man team to do what they call a pre-feasibility study on the scheme; the survey is expected to last up to 18 months. Only then, according to Japanese sources, will a firm offer of cash assistance be made. Canada is also prepared to do feasibility studies before a consideration of capital aid, and the United States position is that it will co-operate on any downstream project.

The overall plan is that Sri Lanka should become self sufficient in food by the completion of this stage of the Mahaweli project, that is in five or six years. The 600,000 acres to be brought under irrigation by the scheme will certainly do this, although foreign experts in Colombo say that self sufficiency could be achieved anyway in ten years. Arguments can be made, they say, against the Mahaweli because of its tremendous drain on manpower and capital.

Like Sri Lankan industry, the project is chasing after an increasingly limited number of skilled engineers, many of whom have gone abroad, particularly to the Middle East. Unfortunately the same attractive expatriate salaries as for foreign exports cannot be used to coax them back, although the United Nations Development Programme is working on a scheme to boost their income.

In the meantime the 50,000 new acres becoming available annually are considered even by the Ministry of Agriculture to be more than can be brought under cultivation each year in terms of farmers, seed and fertilizer. Other Government bodies, responsible for the development of sugar and fisheries, complain that they are being starved of funds.

One of the biggest unknowns about the Mahaweli project, and conceivably its greatest challenge, is its social component. Room is expected to be created for 200,000 families during the next five years. These will come from among the rural unemployed and in the later stages from the urban unemployed. These settlers will be easy enough to find: some are already in the area at work on the dam and canal building. But in the short term they will face problems with the limited supply of fertilizer, draught animals and tractors for the basic 2½ acre plots they will be given. And in the long term the satisfactory growth of new village units acting as productive agricultural groups will be a major achievement.

Priority

Apart from rice, which has already achieved its breakthrough, the other two crops considered a priority are sugar and dairy production. Both the World Bank and the Asian Development Bank consider that sugar has a very good potential. With dairy products Sri Lanka desperately needs more milk. Although production increased from 440m pints in 1976 to 468m pints in 1977, the collection by the National Milk Board decreased from 105m pints to 96m pints in the same period.

The basic infrastructure for agriculture remains potentially chaotic. The most recent annual report by the Central bank records that "criteria for agricultural lending under the comprehensive rural credit scheme were drastically relaxed for the 1977-78 maha (major paddy crop) season. The consequent loan recovery problem is now being examined." The figure for cash handed out was Rs 600m as opposed to a usual figure of Rs 120m. Appeals are now being made to the Government to improve its supervision and administration and take a tougher line against habitual defaulters.

Simon Henderson

Vigorous growth in tourism

"THE UTMOST Indian isle, Taprobane," was how Milton, in his love of strange sounding names, called Sri Lanka. He even expected his readers to sound every vowel in that Greek name (putting the accent on the first syllable) to get the full flavour of the place. But most people today may be as confused about the pronunciation of Taprobane as they possibly are about the identity of Sri Lanka.

As visitors soon discover, Sri Lanka is not a part of India even if that is how it looks on the map. It is a gentler and kindlier land with a charm of its own. "Dear me," exclaimed Mark Twain recalling his visit to Ceylon (as it was known then), "it is beautiful! And most sumptuously tropical, as to character of foliage and opulence of it."

A more recent compatriot of his who stayed often in Sri Lanka found that first impressions are right. "The people," wrote novelist Paul Bowles, "were unusually sympathetic and hospitable, the food was the best I had encountered in an equatorial land, the hotel service was impeccable, and, most important, the place possessed an inexhaustible supply of superb tropical scenery."

Last year's figures for tourism in Sri Lanka indicate that these much desired qualities, as natural to the place and the people, are being greatly appreciated. For the first time the number of tourists from Western Europe alone topped the 100,000 mark. The total exceeded 150,000.

What is even more encouraging is that the American tourist, a comparatively rare bird in Sri Lankan waters, has begun to make this his watering place. American arrivals to the island have remained static over the years, but last year there was a 30 per cent increase: the total for North America was over 10,000, an increase of 2,500 over the previous year.

This is being attributed to better airline connections and attractive fares, but the Government's Tourist Board claims the credit is also due to intensive promotion efforts by its overseas office. On the whole the Tourist Board seems pleased with last year's performance because tourism is now the largest foreign exchange earner in the non-traditional sector and occupies the fourth place in the top ten, beating gems and coconuts.

What this seems to indicate is that Sri Lanka has a sound tourist potential. If the increase in North American visitors is any indication then intensive promotional campaigns are likely to draw more visitors, provided the image of Sri Lanka is projected well.

No other land perhaps offers such quick changes of scene or climate. The coast with its golden beaches is the chief attraction to the landlocked European who enjoys unpolluted sea and giant breakers. But what makes his stay by the beach even more attractive is the price he pays for his sea food. A lobster meal for three may cost only a couple of pounds.

But tourism has also generated an idea that the local resident is now a second class citizen. Criticism is often made in the Press (and with some truth) about soaring prices and the poor service accorded in hotels to local residents. Also an object of criticism are the hippies, who are only tourists on a shoestring budget. They try to live cheap, look scandalous wearing native clothes and are also blamed for the increase of drug addiction and for being a threat to morale.

The reaction to hippies going native in dress seems curious from a people who value simplicity in these matters. It is probably a disappointment at finding the former colonial rulers walking around like waifs, strays and hoboes ready to doss down anywhere.

This conflict is also part of a silent dialogue that goes on all the time between guest and host. While the western guest with Tennyson, or for that matter Rousseau, imagines he is now in the land of the lotus-eaters, the eastern host tries hard to reconcile his first impressions of the white man picked up from books with the real thing now before him.

Out of this conflict comes some very interesting reactions. On the ancient cities route, which takes the visitor back 1,000 or 2,000 years, he may well marvel at the engineering and irrigation skill of a people who worked with nothing more than shovels and pickaxes. Or, like Thomas Morton, the Trappist monk, he may return bewitched by the sculptural miracles of Polonnaruwa.

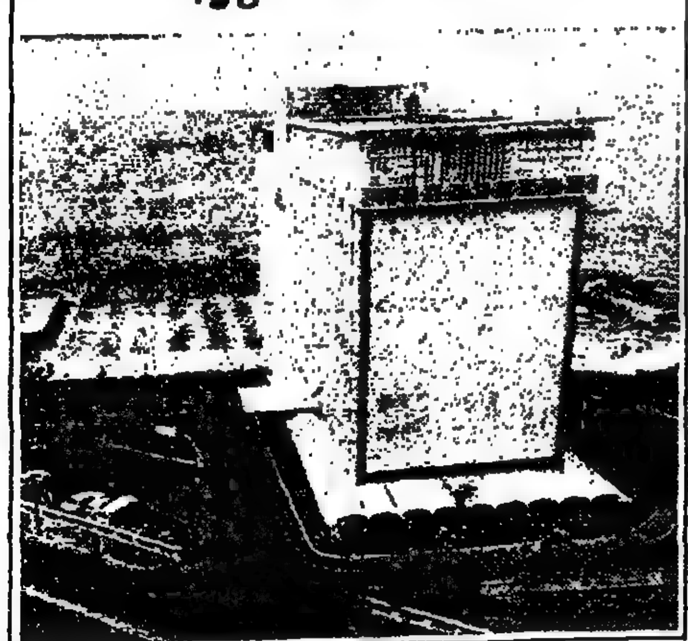
"Looking at these figures," Morton writes, "I was suddenly, almost forcibly, jerked clean out of the habitual, half-tied vision of things, and an inner clearness, clarity, as if exploding from the rocks themselves, became evident and obvious. The queer *evidence* of the reclining figure, the smile, the sad smile of Ananda standing with arms folded (much more "imperative" than Da Vinci's Mona Lisa because completely simple and straightforward) . . . I don't know when in my life I have ever had such a sense of beauty and spiritual validity running together in one aesthetic illumination."

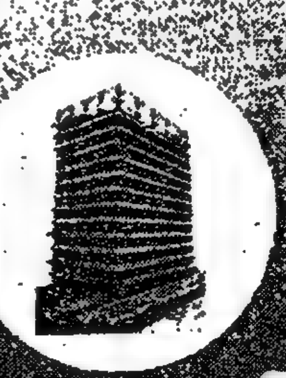
At present the Germans appear to be the most eager to romp in the golden sands of Sri Lanka's coasts, buy the batiks and the handicrafts which reflects facets of Morton's "aesthetic illumination" and enjoy the air of eternal summer that Sri Lanka has to offer at some of the most attractive holiday terms in the world. Last year nearly 30,000 of them visited the country, an increase of almost 10,000 over the previous year.

The next in line are the French. Last year's figures show that over 175,000 visited the land which was an increase of over 6,000 from the arrivals for the year before. Visitors from Britain are lower in the list, with the Swiss and the Scandinavians taking precedence.

Sri Lanka's young tourist industry continues to show some vigour in its growth. It has absorbed nearly 14,000 employees in the different branches of the tourist trade. The hotels alone have 9,000 on their staff. The rest are distributed among tourist shops, agencies and airlines. The most popular time to arrive in Sri Lanka is from October to March. Arrivals in these months range from 11,000 to 18,000, with a peak in December of 19,000. But even off-season there are over 500 visitors each month.

T. B. Peramunetilleke





SRI LANKA VIII

Welfare system under attack

THE PRESENT extent of Sri Lanka's welfare system can be illustrated by the price of tickets on its bus transport network. It costs just Rs5, that is less than 25p, to travel from the capital, Colombo, to the hill resort town of Kandy more than 70 miles away. And as if this effective subsidy was not enough the buses leave at 15 minutes intervals most hours of the day.

The welfare state and its free or subsidised goods and services have become so developed in Sri Lanka that vast sections of the economy depend upon it. Apart from bus and train tickets, until recently nearly every family has benefited from a generous rice ration. Wheat, though rising in price, is also subsidised. Sugar is available on ration to children, and milk food for infants is supported by the State. Most medical and dental services are free, as is education right through to and including the tertiary level.

There are generous loan facilities available to the farmer for growing rice, and fertiliser is provided at 25 per cent of its real cost. Almost uniquely outside the Middle East, petrol and kerosene prices remain artificially low. A gallon of fuel for the motorist costs about 45p.

The total value of the subsidies was estimated by the finance Minister, Mr. Ronnie de Mel, in his budget speech last November, to be worth about Rs7bn (£250m) and on those parts of the system where the subsidy was most easily quantifiable, the figure was Rs3.2bn. The change in attitude towards subsidies by the Jahewardene regime from that of Mrs. Bandaranaike was evidenced when Mr. de Mel pointed out to Parliament that if this total had been available for development they would realise how many hundreds of thousands of people would have been employed on productive schemes in agriculture irrigation and industry of lasting benefit to the country.

Although opposition political groups accuse the new Government of a harshly Right-wing attitude to subsidies, there is no evidence yet that the Government wants to rid itself entirely of the subsidy element and pursue what would be considered a distortion-free economy. President Junius Jayewardene insists that health and education will remain free but hints that the flour subsidy will have to be considered and notes that the transport subsidy depends on the price of petrol.

Far from being a planned programme of phasing out the subsidies, there seems to be an attitude almost of naivite about how the subsidies might eventually disappear. After last November's budget the rice ration is now only available to those who earn less than R300 a month. Even so this accounts for a large minority of the 14m population. At least a quarter of the potential 4½m labour force is unemployed and therefore a recipient of the ration. However, President Jayewardene says simply that the rice subsidy will automatically disappear with more employment.

The precise extent of new employment opportunities will only emerge about now with the return from Europe of Mr. de Mel, where he has met the consortium countries. The Government hopes that the development of the extensive Mahaweli irrigation scheme will provide employment in the canal, dam and settlement projects. President Jayewardene says this should break the back of the unemployment. In addition, he says, 150,000 new jobs have been created since last July as part of the previous regime's budget are implemented. Ticking off the various schemes, Sri Lanka's long-standing unemployment problem almost evaporates in thin air. Around 100,000 jobs are expected to be created by a 10 per cent increase in vacancies in Government departments and private industry—the 10 per cent apprentice scheme.

Also each member of the National Assembly will send the names and qualifications of 1,000 unemployed constituents to a so-called job bank. Using the central bank computer it is intended to match the person with the vacancy—and almost instantly another 168,000 jobs are created. This scheme is in fact a refinement of the previous state of affairs—the chit system—where the signature of the local National Assembly member was required before a constituent could find a job in a public corporation.

Substantial unemployment, however, is likely to remain, and it is equally likely that any protest against this continuing state of affairs will come, as in 1971, from the student population. Even after the defeat of their left wing parties in the elections, the students remain a vanguard of those who lose out in Sri Lankan society.

According to the recently created Secretary for Higher Education, Dr. Stanley Kalpage, of the 4,000 graduates expected this year, all those from the engineering, medical and agricultural faculties can be expected to find jobs, as well as most from the science faculties. But for the arts graduates he admits there will be problems. Precise estimates were not available but it is doubtful whether many of the 2,000 probable graduates in this category will find employment of their choice. When account is also taken of the 27,000 qualified candidates hunting for the 4,800 university places, it is not hard to see how Sri Lanka's problem of highly qualified unemployed has emerged.

Although at the present the tension associated with the Tamil-Sinhala differences appears to outweigh the student-based potential for trouble, there have already been problems. The universities have been closed several times in the past year, and even schools had to be shut over one weekend because of Government fears of disturbances.

This trouble and the legacy of disturbances left over since 1971 have led to a radical change in thinking by the new Government about how Sri Lanka's universities should be structured. They have decided that centralised universities do not work, as present organised into six campuses, and their ultimate objective is therefore to organise higher education to include what are called rural universities. There will be one or two such establishments in each of the 22 districts into which Sri Lanka is administratively divided.

It is apparent that Government members have complete contempt for the lawlessness and anarchy which they consider had virtually taken over the university system. They talk of Left-wing domination and bullying and admit almost with pride that student supporters of the ruling United National Party have been told to "hit back." They consider that the students were creating a sick society, that the basis of it was the residential universities, especially those containing arts students, and they can move with confidence now because they have the silent majority on their side. Dr. Kalpage says thorough searches are made in the halls for explosives and weapons, and although extremist meetings are still held they are much more vigilant. The test of the Jayewardene Administration may be whether it can make changes in the welfare system without allowing the Left and the students to exploit resentment and opposition.

S.H.

High tea price helps exports

THE HIGH world price of tea is the modern success story of Sri Lanka. Tea revenue has boosted the country's foreign exchange reserves to the point where import liberalisation schemes can be considered and loans accepted from abroad with confidence that repayments can be met in the crucial few years before the development schemes start to pay off.

But even while contributing as much as 50 per cent of foreign trade, the tea estates are still in a mess, and production is only now beginning to pick up again to the high point of the mid 1960s, when figures beyond 220m kg were the norm. In 1977 the figure was 208m kg, a welcome revival from the previous year's total of 196m kg. This year they are hoping for a similar increase.

As with the rest of the agricultural sector, weather will be the main influence on success. A repeat of the drought of 1974 and 1975 is not feared, but the quantity of rain brought by the north east monsoon of November to January or the south west monsoon which lasts from the middle of May until late June is yet to be established.

It is the continuing inefficient management which is perhaps both the biggest and most soluble barrier to greater production. Few local people want to reverse the nationalisation of both the private holdings and the estates made by Mrs. Bandaranaike's Government in 1972 and 1975, but many feel that the two State-run organisations retained by President Jayewardene are unwieldy and unnecessarily bureaucratic. At least, they say, Members of Parliament are no longer so concerned with estate administration as before the elections.

Specific work now being carried out on the estates and smallholdings includes increased subsidy payments and the reopening of tea factories which had been shut down due to lack of spare parts. The subsidy has increased from R4750 an acre to R6000 (about £200).

The complaint of poor quality which the Sri Lanka crop began to acquire remains but improvements are being made. Part of this was because, with the soaring world price, quality was ignored in the pursuit of quantity. Now that the price has moderated somewhat, while labour costs have increased, Sri Lanka will once again have to make an effort to improve quality.

Other areas for improvement are the various transport stages from the bush on the estate to the traditional markets for Sri Lankan tea in the United States, the Middle East, Pakistan and South Africa. Britain is no longer a major market. Storage on the estates is adequate but that in Colombo is very bad. Most stock comes down from the hills by truck, only a small percentage by train. Trucks, however, are in short supply and, while the system works well now, as in other areas of the Sri Lanka economy, the small number of new trucks in the transport fleet will lead to bottlenecks as the older ones need repair.

Attempts to plan for the future are now being made, particularly among the medium-level estates between 2,000 and 3,000 feet where the tea lacks the quality and flavour of the high grounds and the strength and colour of the low grounds. Consequently for the medium-level teas the market is very erratic, and alternative crops such as mulberry and spices could be more profitable. The Tea Board Research Institute is trying to grow Chinese green tea as one experiment, and in another project four Canadian development experts arrive in June to work on a tea rehabilitation master plan. In another rehabilitation project at Maskliyea Oya the World Bank is preparing a 40,000-acre pilot project which could cost $US90m.

The legacy of compensation left over from the nationalisation remains. Negotiations have still not started on the rupee estates, but payments are continuing to schedule on the sterling estates and the Government caught up with interest payments and administration expenses to shareholders in March.

S.H.

Japanese case study: By CHARLES SMITH in Tokyo

A navy shipyard that came to grief

SASEBO HEAVY INDUSTRIES built what was the world's largest ship—at the beginning of the 1960s—a 130,000 dwt tanker which became the first of a new generation of giant crude oil carriers (VLCCs). Eighteen years later Sasebo has become the candidate for what could be an almost unprecedented rescue operation, conceivably involving the direct use of government funds and almost certainly involving the steering of defence and other orders in its direction.

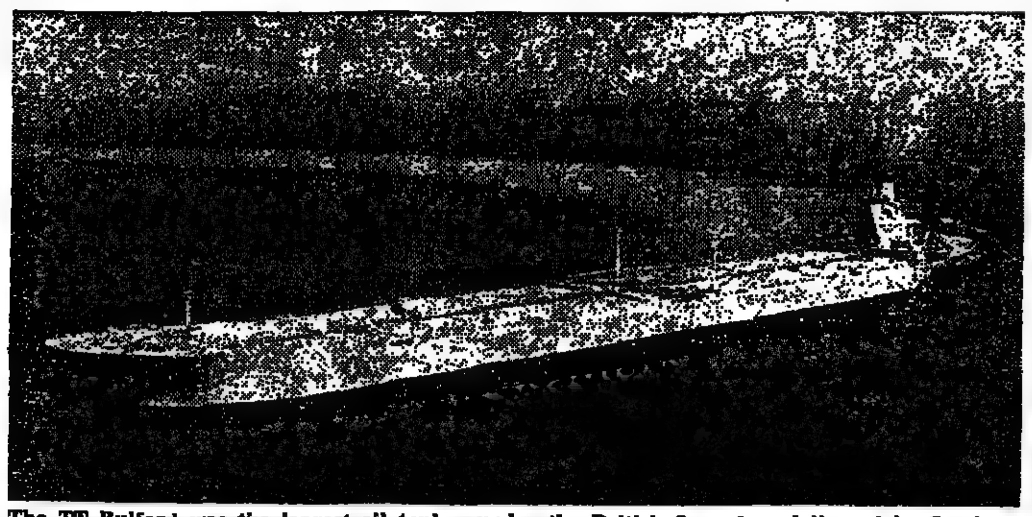
The Japanese Government is not in the habit of rescuing lame ducks—though Japanese banks and trading companies have been known to sink fairly substantial funds into rescue operations on behalf of basically unviable companies. One reason why Sasebo may get special treatment is that its bankers and shareholders have failed (after two months of discussions) to reach the usual behind-the-scenes agreement on who should shoulder what proportion of the burden of keeping the company going. The other reason is that Sasebo is, by any standards, a political hot potato.

Sasebo, or SSK as it is usually known in Tokyo (short for the company's full name of Sasebo Sanpaku Kogyo) is not, and never has been, a typical Japanese shipbuilding company. The company was founded after the war by a group of investors in the south-western Japanese city of Sasebo, but the dockyards and other installations which made SSK a leader of the postwar growth of its industry were there long before. They were built by the Japanese Imperial Navy during the 1930s when the nation was setting out to equip itself with the world's largest and most powerful battleships. SSK's Number Four dry dock, which remained the largest in the world from the late 1930s until the early 1970s (when companies like Mitsubishi heavy industries and Hitachi Zosen completed a new generation of docks for building ultra-large tankers or ULCCs) was the birthplace of the Musashi, one of the two biggest vessels in the Imperial Navy during World War II.

Sasebo's position as heir to the navy's shipbuilding traditions gave it an easy lead over other shipbuilders in the early 1960s. The company was strong enough, and proud enough, to withstand takeover bids by heavy industry conglomerates (unlike another former naval dock yard, at Kure on the inland sea, which was absorbed by Ishikawajima Heavy Industries). The policy of going it alone however posed problems which began to loom large when the oil crisis undermined the foundations of Japan's shipbuilding prosperity from 1973 onwards. One weakness was, and is, that Sasebo is 80 per cent dependent on shipbuilding, whereas other big Japanese shipbuilders tend to be diversified heavy industry companies with more than half their turnover in other sectors. A second major weakness is that Sasebo is not a member of any of the big industrial and commercial groupings which might have helped it during its present difficulties.

Sasebo's peak year in terms of orders was 1972 when the company had some 2½ years of work on its books, including no fewer than 15 of the 250,000 to 270,000 dwt VLCC tankers in which it specialised. Its financial situation, however, had already been damaged in 1971 by the first revaluation of the yen.

From around 1972 onwards Sasebo faced another problem, that of deciding whether or not to follow other big Japanese shipyards into the ULCC era. SSK hesitated while competitors were going ahead with their investment plans. Then it decided, on the eve of the oil crisis, to acquire land on the opposite side of Sasebo harbour on which to build a 600,000 ton dwt dockyard. The acquisition process took time, partly because a portion of the land was held by the Japanese Self-Defence Agency. By the time the land had been acquired and a compensation deal had been worked out with local fishermen it was clear that there was no point in adding further to the already excessive tanker building capacity in Japan. The project was cancelled, but Sasebo has yet to sell the land and has little prospect of recouping itself for reclamation work carried out before 1975.



The TT Bulford was the largest oil tanker under the British flag when delivered by Sasebo to Blandford Shipping in 1968.

Repair

The fat stock book of 1972 kept SSK operating at or near full capacity until around 1975. From then on things deteriorated steadily. This year's turnover is expected to reach around Y50bn (about £122m) or less than 60 per cent of the peak level of 1975—and it would be lower still if SSK's ship repair business had not held up relatively well after orders for new ships stopped coming in.

SSK has three orders on its books for roll-on roll-off vessels one of which is already at the fitting stage while another is half way through the hull assembly stage in Number Four dockyard. The only other new ship order is for a patrol vessel for the Maritime Safety Agency, one of the defence-related Japanese Government agencies which have always steered work in Sasebo's direction—and will have to do so even more in future if the company is to survive.

Sasebo began to face an acute financial squeeze from about March of this year and has continued to exist from hand to mouth since that time, with its finance department performing miracles of ingenuity to meet each month's payments. It was also apparent by the start of the year that the company would have to reduce its labour force if it were to survive, but this posed the problem of how to raise the Y8bn needed to pay special retirement allowances. So far 1,600 workers (of the original Sasebo labour force of 6,600) have been persuaded to go with no more than the promise of retirement allowances once a rescue and reconstruction plan has been worked out and agreed by shareholders.

Progress towards working it out has been slow because Sasebo has four main shareholders (and two main banks), none of which seem to be able to agree on where the responsibility lies for putting the company back on its feet. The biggest of the four is Kurushima Dockyard, a privately-owned shipbuilding and transport conglomerate, whose president hoped to become chief executive of SSK two years ago when his company acquired its present shareholding, but was blocked by other shareholders. Next comes Nippon Kokan, Japan's number two steelmaker and itself a leading shipbuilder. NKK nominated the president of Sasebo two years ago and might have been expected to play a leading part in helping the company out of its difficulties—but for the fact that its own financial situation is relatively tight. The other two major shareholders, Nippon Steel, and Nissho-Iwai (Japan's number six general trading company) are not prepared to carry the full burden by rescuing SSK if Kurushima and NKK decline to play their part.

If SSK were allowed to fail, the effect on the economy of Sasebo City would be catastrophic. Sasebo was a village when the navy chose it as the site of its dock complex 70 years ago. It has remained essentially a one-industry, if not one-company community, with 33,000 of the 252,000 inhabitants directly dependent on SSK itself in the sense of being either SSK employees or their dependents. In terms of money, SSK accounts for some 51 per cent of the industrial output of Sasebo City with a handful of small shipbuilders, some of them dependent on SSK, accounting for a further 18 per cent. Sasebo City's only assets apart from shipbuilding are a small amount of fishing, a few pottery works, and a U.S. naval base which contributes marginally to the economy but depends on SSK for the refitting of incoming vessels.

Having to tell the Americans (who are after all there to defend Japan) that their ships can no longer be repaired, is one disagreeable prospect for the Government if the company is allowed to go bankrupt. The second prospect is that of creating economic chaos in a medium-sized town whose municipal assembly happens to be divided almost 50-50 between supporters of the ruling Liberal-Democratic Party and the opposition.

Because these prospects are felt to be unacceptable, Mr. Takeo Fukuda, the Prime Minister, has told the economics ministers in his cabinet that SSK must not be allowed to fail. It is not clear whether this means that Mr. Fukuda has resigned himself to a situation in which the Government will have to step in with direct financial assistance to the company. So far the Government has confined itself to instructing one of Sasebo's main bankers, Dai-Ichi Kangyo Bank, to extend an emergency Y500m loan to help SSK pay short term debts. What Mr. Fukuda does seem to have decided is that SSK will only be able to survive in the long run with the help of Government contracts—which will accordingly have to be given.

The contracts will be for defence equipment including the building and repair of naval vessels which accounted for a very small portion of total turnover in the boom days before the oil crisis, but could rise to 20 per cent. of new shipbuilding business in future. SSK also expects to get the job of repairing the Mutsu, the ill-fated nuclear-powered ship which experienced reactor trouble on her maiden voyage four years ago and has been lying up in her home port in northern Japan ever since because of opposition from local environmentalists to the start of repair work. Other specialised fields on which SSK's rescuers or would-be rescuers have their eye include the construction of liquefied natural gas and other gas carriers and the construction of steel structures for future high speed railway and bridge projects likely to be included in the Government's public works programmes.

If the reconstruction plan is implemented along something like these lines SSK may be able to struggle back to its peak operating levels of four years ago by 1982. It will be a very different SSK from the company which led Japan's shipbuilders into the giant tanker era in the early 1960s—not least because the company will have a far higher degree of dependence than any other Japanese shipbuilder upon government contracts. Sasebo municipal officials, who have done their utmost in recent months to get the Government to take an interest in SSK's problems, say there is no reason why that should constitute a precedent for dealing with the next special case that crops up in the shipbuilding or engineering industries (or in any other recession-struck industry for that matter). Others are not so sure.

Letters to the Editor

Assessment of domestic rates

From the secretary, The Rating and Valuation Association.

Sir,—I welcome the comments raised by Roland Freeman (May 17) on the current rating scene and appreciate his concern for the future of local democracy and accountability in relation to the one independent tax source currently available to local authorities.

I do not however accept his argument that my critique on his Bow Group pamphlet (May 8) was based on the incorrect assumption that Peter Shore the Environment Secretary, had abandoned the concept of capital value rating for dwellings in his announcement that the next revaluation would take place in 1982.

There are three significant points in that announcement. Firstly, the revaluation will in fact take place in 1982. This statement can be given a general welcome on the grounds that if the base of any tax is not brought up to date periodically, the assessments will increasingly become unfair and anomalous in operation.

Secondly, it will be based on the existing rental basis. This action will be widely regretted (as conceded by Mr. Freeman) since the assessments will continue to be operated on a very narrow base of open market rental transactions. The tax will operate more fairly and effectively if it is founded on the evidence which predominates in the residential market, namely selling prices.

Finally, the Government has reiterated its commitment to capital value rating when the political climate is more opportune. The only reason why the necessary legislation has not been introduced in the present session of Parliament has been the likelihood that a majority vote cannot be assured. This significant fact seems to have escaped the notice of a number of commentators, including Mr. Freeman.

Brian I. Hill
115 Ebury Street, SW1

The battle of Greenham Common

From Mr. I. B. Pepper

Sir,—I must compliment Malcolm Rutherford (May 19) on his article in bringing more thought to the mystery that surrounds the application to reactivate Greenham Common Airbase Newbury. If one was looking for a base which was least acceptable for use by KC.135's then Newbury would have topped the list.

The unique fact which is uncommon to the other bases being considered is that the base is now part of Newbury and not detached. From an environmental standpoint it would be disastrous to reactivate Greenham Common. The noise before take off which goes on for hours would be a prelude to the shattering experience to follow, and this would go on day after day and, when necessary, night after night. There is no argument when it comes to the intolerable noise and danger to the population of a town at the end of a runway versus the convenience of a few.

Access to the runway is virtually restricted to the west where the flight path is over hospitals, schools and homes. It is not the citizens of Newbury who decide planning policy round this base, it is the Government, and they should admit their mistakes and not make the people who have been misled suffer the consequences. Reactivation would also restrict development at present being contemplated.

Of course it is inconvenient for the authorities to base these planes at Brize Norton, but what is inconvenience for the RAF or the USAF when compared with what is at stake (both for NATO and the people affected)?

What I find difficult to comprehend is the attitude of men who ignore their own knowledge and expertise in a situation where convenience outweighs danger and intolerable conditions for others. People do appreciate the need for the West to be prepared, but they are also entitled to a professional approach to the location of these bases.

What about the pledge of "Open Government"? To reactivate Greenham Common Airbase when alternatives are available would be an act of irresponsibility. NATO will get its runway whatever the cost.

I. B. Pepper.
19, Kingsland Grange, Andover Road, Newbury, Berks.

Accounting and inflation

From Mr. R. Waldron

Sir,—No doubt Professor Myddleton is right (May 23) in seeking some way in which to reflect in accounting terms the fall in the real value of money. Yet in attempt to do so in a statement expressed in money is so complex as to defeat understanding by laymen. He says that current cost accounting has nothing to do with inflation, and I am well aware that this argument has been used by others and will be used again. Yet we all know that had it not been for inflation there would have been no Sandilands report, no Morpeth committee and no Hyde guidelines.

What we really need to do, however, is to endeavour to produce some understandable method of accounting for changes in the value of what we earn (or lose) and have (or owe). CCA was a brave attempt and in fact possibly encompassed too large a field for instant success. In crossing any stream the opposite bank can only be reached by stepping from stone to stone, and constant purchasing power, CCA and Hyde are each of them progress points of this sort. We have not yet discovered the bridge, though we ought to be able to do so. Perhaps this is because our view of the possible is unduly hedged about by present concepts of reporting and our assumptions of the nature of income and capital.

Research must still go on, and we must all find more satisfaction in contributing to the ultimate bridge than in quarrelling about the nature of the individual stepping stones.

R. S. Waldron.
United City Merchants, UCM House, 3-5, Swallow Place, Princes Street, W1.

Workers on the Board

From Mr. Bryan Cassidy

Sir, — As the author of the Conservative Party pamphlet "Workers on the Board," I would like to comment on the Government's White Paper proposals for industrial democracy.

The proposals imply the adoption of the Continental system of a two-tier board. There has been some considerable correspondence in your columns of late about the need for more non-executive directors to control more effectively day-to-day management. This control needs to be exercised in the interests not only of the employees but of the shareholders.

Undoubtedly there will be howls of protest from interested bodies such as the Institute of Directors, but it is evident that in many British companies board appointments are made not on the basis of merit but as a reward for skill at playing board room political games. Too often these games are carried out at the expense of shareholders and employees equally.

The weaknesses of the Government's proposals relate to the way in which "employee directors" will be appointed. These should be elected by all of the work force not just union members. They should also be employed within the enterprise. No one wants to see employee directors who are union nominees. That would simply open up union jobs for the boys' gravy train similar to that which existed in the past for some of the silver haired luminaries of the City.

The experiments in so called "industrial democracy" in nationalised industries are a hollow sham. In no case are the "worker directors" elected by the work force. In most cases they are just union hacks.

Bryan Cassidy.
Member of the Greater London Council for Hendon North,
Members' Lobby, The County Hall, SE1.

The funding programme

From Mr. N. Moore.

Sir, — Recent correspondents have observed that we are back in the familiar vicious circle whereby the authorities cannot sell Gilts to the institutions because of money supply fears and the longer that this situation continues, the worse the money supply problem becomes. Rather than criticise the institutions for following the dictates of prudence or bewailing the monetarist fashions, it would be more constructive to seek ways of harnessing the forces currently at work in the market.

It is indeed disappointing that the lessons of 1976 seem not to have been learnt and that interest rates are being pushed up to increasingly higher levels despite the fact that high interest rates conflict with other aims of economic policy and in any case, without supporting measures, will not have the desired effect.

One possible step which I suggest deserves closer attention is an issue by tender. Given the levels of institutional liquidity, an issue of £1,000m or even £1,500m on the basis that tenders would be accepted at the price submitted, from the highest down to the level at which the issue was exhausted, would at least break the impasse. It might be argued that this could involve some very expensive funding but it could scarcely prove more costly than the present policy and quite possibly considerably less so. The crucial point is that the problem is self-feeding in both directions and breaking the log jam would have cumulative benefits.

N. Moore.
Renby, Eridge Green, Sussex.

A change of career for the "good life"

From Mr. J. Smith.

Sir,—Two years ago I resigned from an export marketing responsibility of £4m per annum in British Industry. The decision to leave was considerably influenced by the deteriorating attitude towards management.

In a letter, which you published, my common law wife and I described how for six months we recovered some of our employment "insurance" premiums from the dole office while doing up a terraced Victoriana—and how our first six months after-tax income, made up of tax and tax income, made up of tax and unemployment pension rebates, unemployment benefit and savings on contractor's costs of house renovation was more than double what we would have received after tax for working full time for British industry. Even savings on such business expenses as travel, lunches and clothes amounted to more than £2,000 per annum of pre-tax income (assuming a marginal tax rate of 50 per cent).

In view of Mr. Healey's latest Budget, which continues the left-wing policy of stifling entrepreneurial spirit and middle management effort, it might give cheer to other middle managers to hear the latest sequel in our "good life."

We cleared over £5,000 tax free for six months' work on the Victoriana and, moving to another part of the country to be nearer family, reinvested in a Georgian house costing £40,000 (50 per cent paid by mortgage). This has been renovated for £5,000 plus nine months of our own labour and current value is around £60,000. At an annual compound interest rate of 10 per cent the house could be sold for £100,000 in five years' time. The return is thus £10,000 a year tax free for the original investment of £25,000, and the investment is safe.

We now plan to buy a development property with a mortgage requested by my common law wife under the Sex Discrimination Act on the basis of a job she doesn't intend to keep. Being her primary residence it should be subject to tax relief (or on income from me) on mortgage payments and capital gains tax free. In view of the Landlord and Tenant Act the property will have to remain empty and also my common law wife and I must remain unmarried, but the potential for tax-free gain should justify this.

A major part of our current effort and that of all our friends goes into tax avoidance. Exporting antiques for instance can be a part-time occupation which provides scope for avoiding the socialist marginal tax rate. Mr. Healey's latest relaxations on capital gains tax liability are not particularly relevant as all Continental dealers will write a receipt for whatever amount is tax free and the balance is payable in cash.

Another of our ideas is to start a company publishing books on antiques, an enterprise which would give broad scope for the justification of tax-deductible expenses. Any profit made will therefore be spent by the directors enjoying tax-free weekends all over Britain, which for the benefit of the Inland Revenue will be data collection exercises. Export marketing operations are unlikely to be a success as directors plan to spend their entire "working schedule" sunning themselves on some beach. They will of course claim tax deductions for "working" abroad!

The main disappointment about our new way of life is that we no longer appreciate (because they are so frequent) long holidays, long weekends and mid-week morning lie-ins. The temptation is very great in Socialist Britain to do nothing.

By the way, if you are considering leaving British industry it is worth remembering that you should leave your company in mid-summer after your annual company holiday and when your taxable income for the financial year approximates your tax coding.

Finally, to avoid (while reclaiming your employment insurance) interviews with British industry for unwanted jobs, you should ask for a career change. My request to study sociological aspects of left-wing motivation at half my previous salary was programmed into the PER computer with negative result.

John Smith.
George House, Petworth, Sussex.

Today's Events

—GENERAL

Polling day in Hamilton by-election (result expected about 1 a.m. Thursday).

North Atlantic Treaty Organisation (NATO) two-day summit ends, Washington.

Third of seven fortnightly Indian gold auctions.

Public inquiry opens at County Hall, SE1, into proposed fourth passenger terminal at Heathrow Airport.

United Nations special session on disarmament continues, New York.

Three-day conference opens in Geneva under auspices of International Civil Aviation Organisation to raise new funds for civil aviation development in Africa.

Chinese agricultural mechanisation mission continues UK tour.

Duke of Edinburgh visits Scottish Design Centre, Glasgow, and afterwards presents 1978 Design Council Awards and Scottish Designer of the Year Award at the City Chambers.

Prince of Wales attends concert in Scarborough to celebrate 250th anniversary of Captain Cook's birth.

London Chamber of Commerce seminar on Computers and the Smaller Company, 69, Cannon Street, EC4.

Royal Bath and West Show opens Shepton Mallet (until June 3).

COMPANY RESULTS

Lonrho (first quarter figures). Marley (half-year). Reed International (full year).

COMPANY MEETINGS

BICC, 21, Bloomsbury Street, WC, 12. Bourne and Hollingsworth, 116-118, Oxford Street, W, 12.15. East Rand Consolidated, 25-35, City Road, EC, 11.30. Exploration, Cavalry Club, Piccadilly, W, 12. Holt (Joseph), Manchester, 12. Hopkinsons, Huddersfield, 12. Miller (Stanley), Newcastle upon Tyne, 12. Moss Bros., 20-21, King Street, W.C., 11.30. Myson, Quaglino's, SW, 12. Richards and Wallington, Birmingham, 12. Tilbury Contracting, St. Ermin's Hotel, SW, 12. Travis and Arnold, Northampton, 12. Weeks Associated, Hull, 12.

SPECIAL SERVICES

Samuel Pepys commemorative service, St. Olave, Hart Street, EC3, noon.

City and Guilds of London Institute centenary service, St. Paul's Cathedral, 6 p.m.

MUSIC

University of Massachusetts' Chorale, St. Lawrence Jewry next Guildhall, EC2, 1 pm.

Forest Philharmonic Orchestra and Philharmonia Chorus, conductor Frank Shipway, soloists Elizabeth Harwood (soprano) and Jean Bailey (contralto), perform Mahler's Symphony No. 2 in C minor (Resurrection), Royal Festival Hall, SE1, 8 pm.

COMPANY NEWS + COMMENT

Northern Foods soars to £10.9m at midway

PROFIT growth of Northern Foods continues unabated, and for the six months to March 31, 1978 the pre-tax figure turns in at £10.87m compared with £7.04m.

However, the effect of the completion of the transitional steps relating to UK membership of the EEC has resulted in a change of timing in the receipt of milk margin awards. The result of this has been to bring into the first half year approximately £1.4m of income which would otherwise have fallen into the second half.

Furthermore, as a consequence of the recent disposal to the Bank of Ireland of the finance subsidiary, British Credit Trust, which realised £11m cash, the results exclude the profit of that company, which amounted to £1.184m, (£0.549m for the six months to March 31, 1977) but include a dividend receivable of £800,000.

Earnings of the company, which recently made an agreed bid for Pork Farms, are shown to have risen to 5.55p (3.19p adjusted) per 25p share. The net interim dividend is effectively raised from 0.714p to 1.5p and the directors forecast a 2.25p final. Last year a final payment equivalent to 1.5p was made from taxable profits of £17.9m.

	Six months 1977-78 £000	1976-77 £000
Turnover	139 600	110 075
Trading profit	11.761	9.153
Depreciation	2.065	1.539
Interest	905	843
Invest income	1.136	479
Share of assoc.	43	30
BCT dividend*	800	—
BCT profit	—	549
Pre-tax profit	10,870	7,038
Tax	4,778	3,335
Minorities	2	7
Extraordinary credit	96	†87
Attributable	6.191	3.384
Ordinary divs.	1.630	777
Retained	4.551	2,607

* British Credit Trust. † Debit.

See Lex

INDEX TO COMPANY HIGHLIGHTS

Kayser returns to profit

A continued improvement in trading from its hosiery business resulted in a pre-tax profit of £764,000 for 1977 at Kayser Bondor, a subsidiary of Courtaulds, compared with a £105,000 deficit last time. Turnover was marginally down from £15.99m to £15.72m.

However, the directors warn that the lingerie and foundation wear sections did not fulfil earlier promise due to pressure on prices and these conditions continue into the current year.

After tax of £452,000 (£290,000 credit), earnings are given at 4.7p (2.5p) per 25p share. The dividend is raised from 1.74p to the maximum permitted 1.97p net. Retained profit emerged at £162,000 (£48,000).

EMAP up 52% to peak £1.6m

PRE-TAX profits of East Midland Allied Press were up by 52 per cent from £1.07m to a peak £1.62m for the 52 weeks to April 1, 1978, and were well up on the forecast made at the time of the rights issue last November, of not less than £1.35m.

Turnover for the period was ahead from £14.8m to £18.7m, an increase of 26 per cent. At half-way profit was £0.8m against £0.36m.

The increase in profit came from newspaper, magazine and retail divisions and from lower interest charges on bank borrowings, directors state. The contract printing division suffered a small loss due to heavy non-recurring costs in connection with the installation of the new press.

Current sales of both evening papers at Kettering and Peterborough, and a majority of the weeklies, have increased on last year's figures, they add, and advertising volumes continue to rise.

National publications continue buoyant and two more publications, Sporting Gun and Trout Fisherman, have been converted to monthly magazines.

The group's retail business achieved increased profits, say the directors, and progress continues to be made in filling the unutilised capacity of the Kettering and Peterborough presses.

	1977-78 £	1976-77 £
Turnover	18,709,614	14,805,973
Trading profit	2,134,981	1,640,753
Depreciation†	432,854	392,603
Interest	192,016	183,777
Investment income	1,111	3,262
Profit before tax	1,621,192	1,067,437
Tax	224,427	106,326
Net profit	1,396,765	961,311
Preferred dividend	6,012	6,012
Interim dividend	108,969	83,296
Final dividend	166,636	108,166
Retained	1,113,148	763,847

† Net of investment grant of £8,228 (£8,630).

On capital increased by the rights issue stated earnings per 25p share are up from 13.3p to 18.1p and the dividend is stepped up to 3.60325p (2.88475p) net, with Treasury consent, with a final payment of 2.00605p as forecast.

Also proposed is a scrip issue of three "A" ordinary shares for every four ordinary or "A" ordinary shares.

• comment

Pre-tax profits at East Midland Allied Press are up 52 per cent and far exceed the company's own forecast. This is due to better than expected growth in provincial newspapers, magazines and retailing, which all helped cushion anticipated losses from the contract printing division. Magazines led the way, despite a drop in sales of both Motor Cycle News and Angling News, and the £960,860 (£630,928) profit before tax here was largely due to the boom in advertising. Provincial newspapers contributed £457,000, an increase of 126 per cent, and with newsprint and wages' costs contained over the last year, this operation seems to have recovered from the six month Kettering strike. The most interesting developments, however, are in contract printing where the £2¼m investment in plant and machinery is now complete. Although this showed a loss of more than £10,000 in the year just ended, compared with a surplus of £241,580 previously, there should be a substantial turn round once more contracts are won for the new Commander magazine press. Acquisitions now seem likely in the expanding retail newsagents' side. At 90p the shares still have potential and standing on a p/e of 4.9 yield 6.3 per cent.

Advance at Warnford

FROM TURNOVER of £2,328,449, against £2,077,978 previously, taxable profit of Warnford Investments advanced from £1,536,488 to £1,654,379 in the December 25, 1977, year.

After UK tax of £775,058 (£726,296), associate company tax of £36,255 (£46,342), overseas tax of £7,338 (£6,438) and minority interests, attributable profit emerged at £835,483 (£756,977).

Earnings per 20p share are shown at 8.7p compared with 7.80p, and the final dividend of 4.3678p lifts the total from 4.8565317p net to 6.9459p to comply with the shortfall requirements relating to close companies.

Grant Bros. lower at £110,992

PROFITS OF Grant Bros., departmental stores retailing concern, fell from £147,106 to £110,992 for the year to January 28, 1978, subject to tax of £62,518 (£87,883). The group achieved a peak £272,566 for the 1973-74 year.

At the interim stage the group incurred losses of £60,672 (£12,041), which was subject to a tax credit of £26,786 (£6,262).

Turnover for the year rose from £6.83m to £7.71m and included VAT £0.36m (£0.33m) and lease department sales £1.26m (£0.99m).

Earnings per 25p share fell from 4.24p to 3.07p and the dividend is maintained at 3.883p with an unchanged net final payment of 2.362p.

	1977-78 £	1976-77 £
Turnover	7,709,212	6,824,149
Pre-tax profit	110,992	147,106
Tax	62,518	87,883
Net profit	48,474	59,223

Leaderflush pays 0.33p dividend

FOLLOWING A turnround from a loss of £18,711 to a £20,110 surplus at midway, Leaderflush (Holdings), a manufacturer of flush doors, further improved in the second half to finish 1977 with a pre-tax profit of £120,237, compared with a £132,715 deficit for 1976.

The directors say the liquidity of the company's resources has greatly improved and with a healthy order book, they view future trading prospects with some confidence.

The company is returning to the dividend list with a recommendation of 0.33p net, from stated earnings of 6.17p (2.74p loss)—the last payment was a 0.325p interim in respect of 1975.

Turnover for 1977 was £1.61m, compared with £1.94m which included £0.54m from the Pontefract operation closed early in 1977. After tax of £3,400 (nil) and an extraordinary credit of £35,759 (nil), attributable profit emerged at £152,596 (£132,715 loss).

Glyn Genin

Mr. Alex Jarratt, chairman of Reed International, who is due today to announce the preliminary results for the year ended March 31, 1978.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
E. Midland Press	2.01†	—	1.61	3.61†	2.88
Grant Bros.	2.36	—	2.36	3.88	3.88
Kayser Bondor	1.97	July 21	1.74	1.97	1.74
Leaderflush	0.33	—	Nil	0.33	Nil
Northern Foods ....int.	1.5	Aug. 31	0.71*	—§	2.21*
Warnford Inv.	4.37	Oct. 3	2.7	6.95‡	4.86
Swan Hunter ....int.	3	July 24	3	—	10.19¶

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ To comply with shortfall requirements relating to close companies. § 3.75p forecast. ¶ For 18 months.

ISSUE NEWS AND COMMENT

Bramall placing 1.3m shares at 75p

Ford main dealer, C. D. Bramall, has arranged for a placing of 1,333,000 ordinary 25p shares at 75p each.

The placing, which represents about 26 per cent. of the total equity (owned by the Bramall family), capitalises the company at more than £3.8m. Dealings are expected to begin on June 5.

Pre-tax profits for the first quarter of 1978 are up from £0.29m to £0.37m but Mr. D. C. Bramall, chairman, says it is too early to forecast full-year results. However, he is confident of the group's ability to take full advantage of the current favourable conditions in the UK motor vehicle market.

Pre-tax profits for 1977 increased from £0.78m to £1.12m on turnover up from £14.16m to £17.66m. This compares with profits of £0.28m and sales of £4.94m in 1973.

For the current year the directors intend to pay a net interim dividend of 1.75p per share and recommend a final of 2.75p.

On 1977 earnings, these dividends would be covered more than four times on the basis of the tax charge shown, and more than twice on a fully taxed basis. At the placing price the prospective gross yield is 9 per cent while the p/e is 3.9 or 7 fully taxed.

Mr. Bramall says that the company's growth stems from the introduction of new and improved facilities, in particular the truck sales and 24-hour service centre in Bradford, and the group's expansion into contract hire and the acquisition of Warrington Motors in 1974.

In 1977, its Ford main dealerships accounted for 93 per cent of group sales, contract hire about 6 per cent and the balance from hire purchase. The Ford dealership in Bradford and environs accounted for 41 per cent of sales, the Hobson of Shipley dealership in Shipley and Bingley—12 per cent and the Warrington dealership—40 per cent. The remainder is accounted for by contract hire and hire purchase.

The chairman says that in the light of the group's success with Hobsons of Shipley (acquired in 1969) and Warrington Motors, the directors intend to continue their policy of acquisition as and when opportunities arise.

The balance sheet at December 31, 1977 shows net tangible assets of £3.33m (£2.2m). Bank overdrafts and loans totalled £1.37m (£0.86m).

At May 12, 1978, the group had a secured mortgage of £18,500 and other secured loans of £0.9m.

The placing has been arranged by Barclays Merchant Bank. Brokers to the issue are Hedderwick Stirling Grumbar and Co.

• comment

Ford main dealers have had a very good run lately and C. D. Bramall is no exception. Over the last five years its profits have quadrupled and in the first three months of this year they are 27.5 per cent ahead. Compared with its rivals, its performance looks impressive. Over the last five years the profits of Sheffield's T. C. Harrison have doubled and those of London's Harold Perry Motors (both Ford main dealers) have increased by 75 per cent. Bramall's return on shareholders funds is 34 per cent and on sales it is 6.4 per cent. The comparable ratios for T. C. Harrison and Harold Perry are 5.1 per cent and 4.1 per cent respectively. At the placing price of 75p the company is capitalised at £3.8m and yields 9.1 per cent. By comparison with the yields of 3.8 per cent and 5.2 per cent at Harold Perry and T. C. Harrison—this sort of return looks attractive. However, it is unlikely that the boom conditions which Ford main dealers have faced over the last couple of years can continue for ever and the group will soon have to look to non-Ford franchises for expansion. The purpose of the placing is to reduce the family holding and give the company scope to issue paper for future acquisitions.

Yearlings down to $9\frac{3}{4}$%

The coupon rate on this week's batch of local authority yearling bonds is down from 9⅞ per cent to 9¾ per cent. The bonds are issued at par and are due on June 6, 1979.

The issues are: Rother District Council (£0.75m), Dudley Metropolitan Borough Council (£0.5m), Angus District Council (£1m), City of Bristol (£1.5m), Inverness District Council (£0.75m), West Yorkshire Metropolitan County Council (£0.5m), City of Glasgow District Council (£0.5m), City of Leeds (£0.5m), City of Swansea (£1m), City of Southampton (£1m), Woodspring District Council (£0.25m), District of the Wrekin (£0.5m), City of Salford (£0.25m), Doncaster Metropolitan Borough Council (£0.75m), North Bedfordshire District Council (£0.5m) and Angus District Council (£1m).

North Devon District Council and Chorley Borough Council are both raising £0.25m by the issue of 11 per cent due on May 28, 1980, at par.

Three-year bonds, with a rate of 11⅛ per cent, are being issued by Mendip District Council (£0.5m) and Ogwr District Council (£0.55m), payable on May 27, 1981, at par.

Variable rate bonds dated May 25, 1983, have been issued by Nithsdale District Council (£1m) and City of Nottingham (£2.5m).

SCOTT. EQUITABLE LIFTS RATES

The Scottish Equitable Life Assurance Society has improved its immediate annuity rates by an across the board £8 per annum per £1,000 lump sum invested, and has increased its temporary annuity rates by £6 per annum per £1,000 invested. Those increases reflect the recent rise in medium term interest rates.

For example, under these new rates, an investment of £10,000 will secure for a man aged 65 an annuity of £1,622 per annum payable in equal half yearly instalments.

Swan Hunter £1.15m first half fall

THE DIRECTORS of Swan Hunter report a slump in turnover and profits for the six months to December 31, 1977. Turnover was down from £17.54m to £11.63m and pre-tax profits were more than halved from £2.84m to £1.15m.

The depression in the ship-repairing industry further deteriorated during the period giving rise to a loss of £516,000 by the group's UK subsidiary in this sector. The directors anticipate a £1.1m loss for the full year in this division, but they have taken action to contain and reduce future losses until more favourable trading conditions return to this industry. Other group companies and activities are profitable, they add.

A payment of £2.35m of Government Stock has been received on account of compensation for the subsidiaries which vested in British Shipbuilders on June 30 1977. But the directors say that until the full amount has been determined and until the problems in the shiprepairing business have been resolved, they, and the group's advisers, are of the opinion that it would not be appropriate or opportune to proceed with the group's reconstruction; the directors intend to transfer the continuing businesses of the group to a new company, and at the same time return to shareholders funds surplus to the requirements of those businesses.

Interest on the compensation payment so far, has been included in the half-year results, and although negotiations on compensation continue, the directors are not yet in a position to accurately estimate the full amount and so the total interest due to Swan Hunter, cannot as yet be calculated.

For the 18-month period to June 30 1977, Swan turned in taxable profits of £7.29m on a turnover of £50.07m and paid out dividends totalling 10.1892p net per £1 share; the interim payment announced by the directors is unchanged at 3p. Earnings per share are shown as 3p (7.41p) and 19.15p for 1976/77 18 months excluding extraordinary items and 4.14p (7.41p) and 23.47p including the same items.

Since December 31, 1977 a dividend in respect of the six months immediately prior to vesting day has been declared by one of the shipbuilding subsidiaries which vested in British Shipbuilders on July 1, 1977. The amount of the dividend, including the related ACT amounted to £150,000 and this will be included in the full-year results. The directors do not anticipate any further dividends for the period up to vesting day from former subsidiaries which were vested in British Shipbuilders.

In the accounts to June 30, 1977 reference was made to the profitable sale after that date of two 32,000 tonnes deadweight product tankers. The sales were made in dollars and the fluctuations in the sterling—U.S. dollar rate during the last nine months resulted in a loss on exchange of £450,000.

There was an extraordinary credit for the period amounting to £209,000 which comprised a profit of £885,000 on sale of fixed assets (Wallsend Dry Docks); estimated loss on sale of two product tankers £450,000, less tax £226,000. For the 18 months 1976-1977 period there was an extraordinary credit of £795,000 which comprised of dividends from vesting subsidiaries.

	6 months 1977 £000	6 months 1976 £000	18 months 1976-77 £000
Turnover	11,632	17,536	50,072
Trading loss	89	†1,097	3,215
Share of profits of associates	425	777	1,159
Inv. inc. and interest received	792	988	2,919
Pre-tax profit	1,148	2,837	7,285
Tax	397	1,473	3,768
Net profit	831	1,362	3,517
Extraord. credits	209	—	795
Attributable	780	1,982	4,312

†Profit

See Lex

J. Scott £1.69m loss

INCLUDING A loss of £2.70m from subsidiary James Scott (Electrical Transmission) against £291,000 a pre-tax loss of £1.69m was incurred by James Scott Engineering Group, itself a subsidiary, of William Press and Son, for the 11 months to end 1977, compared with a pre-tax profit of £306,000 for the previous year. A peak of £933,000 was obtained in the 1974-75 year.

Loss at the five months stage was £157,000 compared with a profit of £241,000 for the comparative six months. Turnover for the full period was ahead from £31.19m to £38.57m.

After a tax credit of £880,000 against a charge of £242,000 the attributable loss came out at £1.01m compared with a profit of £103,000 and loss per 25p share is shown as 24.2p (earnings 0.9p).

The Board states that the overall loss on the Iran contract, entered into in 1974, and which is now nearing completion, has been reassessed, resulting in a further provision, as at December 31, 1977, of £2,317,000 after taking account of agreed escalation adjustment.

EUROPEAN OPTIONS EXCHANGE

Option	Price	July Close	July Vol.	Oct. Close	Oct. Vol.	Jan. Close	Jan. Vol.	Equity close
ATT	$55	6½	—	6½	—	6⅝	—	$60⅞
ATT	$60	1¾	—	2½	—	2⅞	—	"
ATT	$65	¼	—	⅝	—	⅞	—	"
Citicorp	$20	3¾	—	4⅛	—	4¾	—	$23
Citicorp	$25	1	—	1¾	—	2⅛	2	"
E. Kodak	$40	14⅝	—	15	—	15¼	—	$54⅛
E. Kodak	$45	10¼	—	10½	—	11¼	—	"
E. Kodak	$50	6⅛	—	7	15	8¼	21	"
E. Kodak	$60	1¼	—	2⅝	41	3⅞	12	"
Exxon	$40	—	—	7	—	7¼	—	$45⅝
Exxon	$45	—	—	3⅞	—	4	—	"
Exxon	$50	—	—	⅞	—	1⅛	—	"
GM	$50	11	—	11	—	11¼	—	$60¼
GM	$60	2⅝	—	3⅞	—	4¾	1	"
GM	$70	¼	—	⅞	2	1⅛	—	"
IBM	$240	25	—	27¾	—	30¼	—	$260½
IBM	$260	9¾	—	14⅛	1	17⅝	—	"
IBM	$280	2¼	—	6⅛	—	9⅝	—	"
Sears	$20	4⅞	—	5¼	—	5⅝	—	$24⅝
Sears	$25	1⅛	—	2¼	—	2⅞	1	"
Sears	$30	¼	—	1	—	1⅛	—	"
Algemene	F330	26.50	—	30.00	—	36.00	1	F356
Algemene	F340	20.00	—	21.00	—	24.00	—	"
Algemene	F350	11.00	—	13.00	—	17.00	—	"
Algemene	F360	6.00	—	8.00	—	10.00	—	"
Amro	F70	6.50	—	8.00	15	8.50	15	F75.50
Amro	F75	3.00	—	4.00	—	5.00	—	"
Amro	F80	1.10	—	1.50	—	1.80	—	"
KLM	F160	34.00	10	38.00	—	43.00	—	F189
KLM	F170	28.00	4	35.00	—	40.00	—	"
KLM	F180	25.00	44	29.00	8	32.00	1	"
KLM	F190	17.50	4	21.00	1	29.00	9	"
KLM	F200	13.50	46	20.00	11	23.50	6	"
KLM	F220	9.50	54	14.00	10	—	—	"
Nat Ned	F100	15.00	—	16.00	—	17.00	—	F113.80
Nat Ned	F110	5.50	—	7.50	—	8.80	—	"
Nat Ned	F120	1.50	—	2.50	—	3.80	1	"
Philips	F22.50	4.40	—	4.90	—	5.80	1	F26.60
Philips	F25.00	2.20	96	3.00	66	3.50	32	"
Philips	F27.50	0.80	20	1.80	100	2.40	205	"
R. D. Shell	F120	9.00	—	11.00	1	12.50	—	F127
R. D. Shell	F130	2.20	20	4.80	46	6.00	20	"
R. D. Shell	F140	0.40	—	1.40	50	2.70	—	"
Unilever	F110	6.00	—	7.10	5	9.00	—	F112.90
Unilever	F120	—	—	0.70	13	2.20	1	"
Unilever	F130	—	—	0.50	—	1.00	—	"

At the 79th Annual General Meeting held in London on 30th May, the Chairman Sir Reay Geddes, KBE said:

DUNLOP

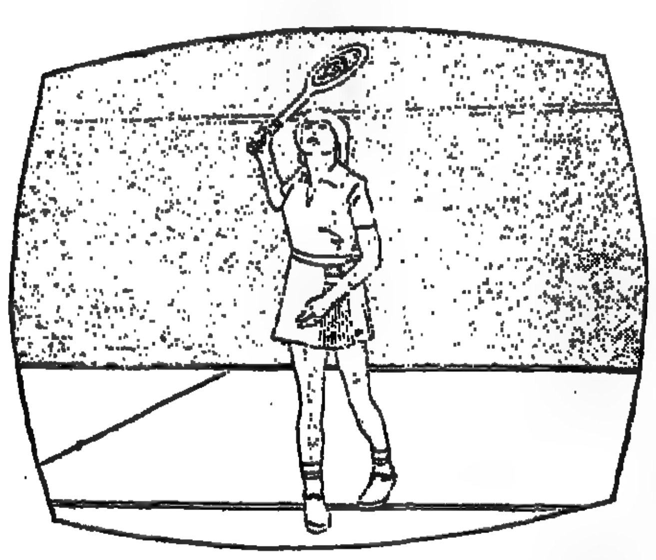
"1977: A policy of selective investment."

THE accounts before you report on a trading year which was particularly challenging for many companies in industrial countries.

In the United Kingdom the economic recovery which began in the latter part of 1975 tailed away at the end of 1976. Throughout 1977 there was, in effect, a second stage of the recession of 1974-75. During the course of 1977 the rate of inflation fell, but not to the levels of our main trading competitors nor fast enough to overcome the effect of an appreciating pound which made exports more difficult and less profitable.

Through the year, world trade was relatively dull, although conditions varied from country to country, but by the end of the year the appreciation of the pound diminished the sterling value of our invisible exports, the profits and fees earned abroad and the dividends received from associated companies.

It is naturally disappointing not to be able to record an increase in profits for yet a further year. At the end of August there was still an improvement over 1976, but the last quarter and year-end accounting treatments applicable to the whole year changed this. The operating profit, calculated on the historical accounting basis, was £75 million compared with £83 million in 1976. It is, however, encouraging that, after adjusting the operating profits to take account of inflation, and this is perhaps the best criterion of performance, your Company did almost as well as in the previous year. The attributable profit, on either accounting basis, showed a decline. The reason for this, after taking account of changes in financing charges



and provision for taxes, was mainly the less satisfactory results, expressed in sterling, from our overseas associated companies, particularly in the Argentine, while in the United Kingdom, International Synthetic Rubber Company made a substantial loss.

Within the overall operating results and the business environment which I have described, there were good performances by most United Kingdom operations, notably in cables, engineering, industrial products and fire protection. We also continued to draw great strength from the diversity of the Union businesses outside Europe. There are always ups and downs and, as examples India and Nigeria, suffered last year from difficult local circumstances.

Our main problem is the state of the tyre business in Europe where over-capacity, the effect of oil prices on vehicle mileage, and the much longer life of the steel radial tyre have created more intense price-competition than at any time since the War: a condition with which the management of your Company, in association with Pirelli, continue to wrestle vigorously.

Corporate Strategy

The results of our operations in 1977 have confirmed our existing corporate strategy of steadily modernising tyre facilities while concentrating on the development of non-tyre activities. It is, indeed, encouraging to see that those parts of the business which performed best were precisely those which we had chosen, as part of our selective investment policy, for priority in expansion and development. We shall therefore hold to the main thrust of the strategy, varying its implementation as circumstances require from time to time, in the confident knowledge that by so doing we shall continue to build a strong and socially responsible group. In this way we shall be responsive in future and true to the past of both Dunlop and Pirelli.

International Companies

Together we are an example of the international company which in recent years has come under attack, particularly from those who sometimes claim to speak on behalf of developing countries. This is an area in which it is again pleasing to see, behind the political rhetoric, a growing recognition of the part which international companies play in improving the standard of life and the capabilities of the less developed countries, by the creation of new wealth and the transfer of technology. This relaxation of attitudes is one from which Dunlop and, we believe, Britain stand to benefit.

We are determined to grow as good corporate citizens wherever we operate, as witness the new plant recently set up in Raleigh, North Carolina, the new tennis ball factory which will be opened next month in the Philippines, and the continuing promise of our pioneering work to control agricultural pollution in Malaysia. In this improved atmosphere our efforts will secure readier recognition. It may even lead governments to accept that the contribution which we and others can make to their economic welfare depends in part on the freedom to deploy our skilled people, whatever their nationality, where they are most needed.

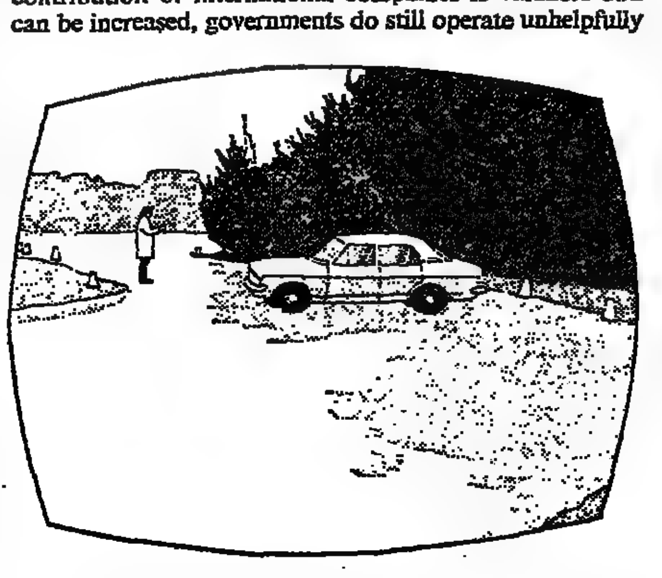
Public Policy

It is not only overseas that we need a better understanding of the role of the international company. It may be natural at a time of high unemployment that home governments and trade unions are suspicious of companies which invest abroad. Even when our exports increase, it looks to them as if we are exporting jobs which are needed at home. This is not in fact the case. There is a natural progression, from export to overseas manufacture and to the provision of know-how, which any international company must follow if it is to adapt to changing circumstances and to develop its full potential, in the long run to the benefit of its home base. It is also true that exports from home factories often follow investment abroad, and that in some countries, direct investment is required before exports are allowed in, and thus jobs secured at home. In the current debate about the use of resources from the North Sea it is important to keep well in mind the need for manufacturing companies to develop their overseas operations in ways which sometimes require the export of capital: in our case only a small part of our own invisible earnings.

It is not only the government, but the business community, trade unions and the public at large who need to accept more fully that prosperity is indivisible. It is in the interest of Britain to contribute to economic development and rising purchasing power wherever there are sound opportunities.

Consultation and Codes of Conduct

Although it is more widely recognised that the contribution of international companies is valuable and can be increased, governments do still operate unhelpfully



at two levels. First it is so easy to win applause in criticising a company if it is big and still easier if it is international. One hopes that this is increasingly seen to be counter-productive.

The second level concerns regulation. Already the demands for information about our activities and the sum of the regulations and guidelines which we are expected to obey are becoming burdensome even for large companies experienced in international investment. It would be surprising if all this was not a real deterrent to the medium-sized company, with limited management resources, which is wondering whether to join in the process of transferring technology and management skills abroad and building new businesses as it does so.

Economic Outlook

It seems timely to take stock of government policy and action, because there have now been, in the life-time of the older ones among us, three major economic discontinuities: the first in 1931 was not well handled and led to protectionism. The second, post-World War II, was managed with imagination, leadership, co-operation and very considerable success: as examples, in American support for the recovery of Europe and in the creation of international institutions and an economic system which worked well for a generation. The third began with the recession and OPEC price increase in 1974. Governments and other institutions have had many more years' experience, with more sophisticated economic advice and aids, and yet today, well into the fifth year, there is still discussion about how to get out of stagflation, about the next phase of monetary arrangements, about the ways in which the international economic order should evolve, so as to deal fairly with the reasonable claims of developing countries without damage to the industrialised economies. Each of these faces problems particular to itself, witness the US becoming largely import dependent for energy and minerals, Germany believing she is becoming a saturated economy, Japan fearful of unemployment and exporting often, it seems, without regard for profitability, Britain still groping for consistency in policy and the need to become competitive in productivity. Perhaps a new realism is spreading here, the readier recognition that it is bound to be a bit of a struggle for 50 million people in our small island even to maintain our relatively high standard of living. If so, future governments may find the will to give greater emphasis to efficiency by releasing the energies of all those who are willing to improve their families' condition by their own more effective effort. It has worked elsewhere and it used to work here. It seems worth trying again.

But the industrial economies also share the major problem of adjustment in many sectors to the new import competition. At present policies towards this are unclear. Some Governments apparently favour temporary selective protection and support while others prefer more positive

action to re-structure sectors in distress. More important, however, is the general environment within which all companies can seek their own ways to adapt. They really are not helped by a combination of price and dividend controls, high redundancy payments and other political pressures against change. It was well said that to be safe one must not be made to feel secure.

To burden companies so that it is more expensive to stop an unpromising activity than to plough on, is to lose sight of the main aim of adjustment—to release resources to start something new and better, creating new jobs in the process. In these circumstances it is not only the promoters of new and small firms which need encouragement. The release of energy within the managements of medium and larger firms is just as important, so that they can be seen as part of the solution to the general problem.

Thanks to Management and all Employees

The problems and frustrations of 1977, like the economic and political issues which I have been describing, pressed down hard on managers at all levels. They and all those employees and their representatives who respond with understanding to the needs of the business as a whole and so to the interest of all those who depend upon it, have once again earned our warm thanks.

Prospects for 1978

Meanwhile, what of the current year, 1978? Last year, as I say, we saw the onset of the second phase of the economic recession which began in 1974. So far this year such signs of recovery as there have been are very slight. It is likely that in the end consumption spending in the United Kingdom will be higher in 1978 than last year: but so far there has been little or no recovery from the levels of the end of 1977. Abroad, the level of economic activity is generally being maintained.

The slowness of the recovery suggests caution in any predictions about results for the present year, so far trading conditions remain difficult.

The Board

May I turn finally to membership of, and changes in responsibilities, in the Board. Mr. J. R. Scott resigned at the end of the summer to take up an appointment in the Far East. Sir Harry Melville is now retiring after almost eleven years of distinguished service on the Board. His wide knowledge of scientific matters has been of great assistance to the Company.

Two new directors joined the Board on 1st January, 1978. They now retire and offer themselves for re-election

at this meeting. Mr. Alan Lord joined the Company in July, 1977 from H.M. Treasury where he was Second Permanent Secretary. Since the beginning of this year he has been responsible for a range of Dunlop's international activities. Mr. Philip Shelbourne is the Chairman of Samuel Montagu & Co. and a director of the Midland Bank. We are fortunate to have secured his services in a non-executive capacity.

Sir John Read and Sir Frank Roberts offer themselves for re-election. I need only say that your Board would be very much the poorer without the valuable contribution which they both make to our deliberations.

As indicated at our meeting a year ago, I shall have resigned from the Board as from the end of this meeting. The Board has elected as my successor Sir Campbell Fraser, whose Knighthood in recognition of his contribution to our national affairs by services to export, shareholders, like his colleagues, will have noticed with pleasure. After twenty-two years with Dunlop, including almost eight years as Managing Director and of involvement in the affairs of the Union since its inception, he has built around him a team of executive directors who bring both a deep knowledge of the Company and a wide range of experience, well fitted to the coming years as we see them. In addition, the top organisation has been adapted to permit him, as executive chairman, to delegate appropriately to Mr. J. Dent and Mr. E. G. Wheater, as its Managing Directors, the affairs of Dunlop Limited, the main European operating and holding company, and to Mr. A. Lord, as its Managing Director, those of Dunlop International Limited. For financial convenience, this latter company now has its head office in Zurich with the approval of the authorities.

The Board has appointed me Honorary President of the Company. After forty-three years' service, I am naturally appreciative of this, and leave today wishing Dunlop and particularly Sir Campbell and his colleagues every success.

Copies of the speech and "Report to Employees" can be obtained from the Secretary, Dunlop Holdings Limited, 25 Ryder Street, London SW1Y 6PX.

DUNLOP HOLDINGS LIMITED

COMPANY NOTICES

NOTICE OF RATE OF INTEREST

U.S. $75,000,000 Guaranteed Floating Rate Notes 1983

Lloyds Eurofinance N.V.

(Incorporated with limited liability in the Netherlands)

Guaranteed on a subordinated basis as to payment of principal and interest by

Lloyds Bank Limited

(Incorporated with limited liability in England)

In accordance with the provisions of the Agent Bank Agreement between Lloyds Eurofinance N.V., Lloyds Bank Limited, and Citibank, N.A. dated May 26th, 1976, notice is hereby given that the Rate of Interest has been fixed at 8 11/16% p.a. and that the interest payable on the relevant Interest Payment Date, November 30th, 1978 against Coupon No. 5 will be U.S.$44.80 and has been computed on the actual number of days elapsed (183) divided by 360.

May 31st, 1978
By: Citibank, N.A., London, Agent Bank

CITIBANK

NOTICE OF RATE OF INTEREST

Gabinete da Area de Sines

(An Agency of the Republic of Portugal)

US $50,000,000

Guaranteed Floating Rate Serial Notes 1982

Unconditionally Guaranteed as to Payment of Principal and Interest by the

Republic of Portugal

In accordance with the provisions of the Notes and Agent Bank Agreement between Gabinete da Area de Sines, the Republic of Portugal and Citibank, N.A., dated May 31, 1977, notice is hereby given that the Rate of Interest has been fixed at 9 13/16% p.a. and that the interest payable on the relevant Interest Payment Date, November 30, 1978 against Coupon No. 3 will be U.S.$498.80 and has been computed on the actual number of days elapsed (183) divided by 360.

May 31st, 1978

By: Citibank, N.A., London, Agent Bank

NOTICE OF REDEMPTION TO THE HOLDERS OF LJUBLJANSKA BANKA

9 1/4% GUARANTEED NOTES 1983

NOTICE IS HEREBY GIVEN that on 16th May 1978, the following notes were drawn for redemption on 15th July, 1978.

NOTES OF U.A.E. DIRHAMS 50,000 EACH

50	59	67	72	120	178
216	231	234	289	293	315
335	346	347	358	386	409
411	421	425	427	437	446
488	487	523	525	532	552
603	611	620	624	626	644
653	665	668	673	695	703
725	742	746	761	775	780
820	822	842	867	883	893
894	920	943	945	1007	1014
1024	1028	1055	1089	1090	1097
1130	1134	1144	1163	1174	1183
1191	1193	1209	1207	1211	1236
1254	1308	1330	1332	1337	1344
1356	1368	1412	1435	1463	1470
1475	1479	1512	1527	1532	1543
1554	1574	1581	1588		

NOTICE OF REDEMPTION

On the 15th July 1978, the notes designated above will become due. Said notes will be paid upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder at
(a) Fiscal Agent, British Bank of the Middle East, P.O. Box 242, Sea Road, Abu Dhabi, U.A.E. or
(b) The British Bank of the Middle East, 99 Bishopsgate, London EC2P 2LA.

Coupons due 15th July 1978, should be detached from the Notes and collected in the usual manner.

On and after 15th July 1978, interest shall cease to accrue on the Notes herein designated for payment.

LJUBLJANSKA BANKA
BY British Bank of the Middle East, Abu Dhabi.

LEGAL NOTICES

No. 001529 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of BOROUGH CONSTRUCTION CONTRACTS LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 11th day of May 1978, presented to the said Court by TROJAN ENGINEERING SERVICES (a firm), employment agents, of Forest House, 165 Station Road, Chingford, London, E.4, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 12th day of June 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

THE SIMKINS PARTNERSHIP,
12 Wyndham Place,
London W1H 1AS.
Ref: CK. Tel: 01-262 3181.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 9th day of June 1978.

OESTERREICHISCHE ALPINE MONTANGESELLSCHAFT

LOAN OF 1965-1985 6 1/4%
EIGHTH DRAWING OF MAY 12, 1978

It is brought to the attention of holders of the above mentioned bonds that the amortisation quota of $US777,000 maturing June 15 1978 has been effected partially through repurchasing on the market and partially through drawing by lot.

From this drawing, it has resulted that the bonds of $US1,000 remaining outstanding and comprised between the number 2258 inclusive and the number 2902 inclusive and one bond of $US250 numbered 8764 will be reimbursable at par as of June 15, 1978 with the following institutions:
Banque Internationale à Luxembourg S.A. Luxembourg
Banque Bruxelles Lambert S.A., Brussels.
Kredietbank S.A., Brussels.
Société Générale de Banque, Brussels.
Amsterdam-Rotterdam Bank N.V., Amsterdam.
Algemene Bank Nederland N.V., Amsterdam.
Pierson, Heldring & Pierson, Amsterdam.
Credit Commercial de France, Paris.
Hill Samuel & Co., London.
Kleinwort, Benson, London.
Samuel Montagu & Co. Ltd., London.
Kredietbank S.A. Luxembourgeoise, Luxembourg.
Creditanstalt-Bankverein, Vienna.
Oesterreichische Landerbank AG. Vienna.
Bank of America NT & SA, San Francisco.
Morgan Guaranty Trust Company of New York, New York.

Coupons maturing June 15, 1978 are payable with these same institutions.

It is reminded that the following bonds, drawn at previous drawings have not yet been presented for payment:

Maturity 15.6.1974:
$US1,000 bonds — none.
$US250 bonds — 7609 to 7617.
Maturity 15.6.1977:
$US1,000 bonds—
2081 to 2082; 2099; 2114 to 2126; 2165 to 2166.
$US250 bonds—
4427 to 4442;
6779; 5015 to 6018.

Amount outstanding after June 15, 1978
$US3,846,000—represented by 3,139 bonds of $US1,000, 6,828 bonds of $US250.

BANQUE INTERNATIONALE A LUXEMBOURG
Société Anonyme
Trustee

Luxembourg
31st May, 1978.

PUBLIC NOTICES

GLASGOW DISTRICT COUNCIL

Bills issued 31.5.78, £2m. at 8 47/64% and £2.7m at 8 1/4%, maturing 30.8.78. Applications totalled £38.4m. Bills outstanding £9.4m.

Brocks forecasting rise to £1m this year

DESPITE THE disposal of its *security division profits of around* £1m are expected for 1978 at Brocks Group of Companies, Mr. B. R. Clack, the chairman, says in his annual statement.

Excluding the security division profits in 1977 were £0.69m.

Mr. Clack says the group has for some time wished to increase its investment in the electronics industry, particularly in the marine field. The sale of the security division will facilitate this expansion. He says directors believe that the future at the company lies in the electronics field.

Already the group has purchased the *Callbuoy range of* marine products and other acquisitions are currently being pursued.

With the hoped for acquisitions taking place in 1978 he is confident considerable advances will be made in 1979.

In 1977 the marine division continued to progress, and with more *new products scheduled* to appear this year the chairman looks forward to a further advance.

On the in-car entertainment side he says the group now has a sizeable part of the market, but has yet to secure the necessary orders from motor manufacturers in the UK to provide the impetus required to compete successfully *with Far Eastern imports.* A new VHF radio and radio cassette player will be introduced soon, and will enable Brocks to export its products more successfully.

At year-end net current assets were £3.16m (£1.49m) and fixed assets £3.52m (£5.99m), reflecting the disposal of the security division to Automated Security *(Holdings)*.

Racal Electronics owns 13.58 per cent of ordinary shares.

Meeting, Poole, Dorset, June 20 at 10.45 am.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Carr's Milling Industries, Dubilier, Kelsey Industries, M and G Group, Marley.

Finals—Percy Bilton, J. Bright, John Crowther, Alfred Dunhill, Edinburgh and General Investments, Invergordon Distillers, M and G Second Dual Trust, Norwest Holst, Reed International, H. Samuel.

FUTURE DATES

Interims—	
Grand Metropolitan	June 8
Martin the Newsagent	June 5
Finals—	
Associated Television	June 22
Berkeley Hambro Property	June 1
Bishop's Stores	June 9
Century Oils	June 2
Era Industries	June 7
Prop. and Reversionary Invest.	June 12
Sunrie Clothes	June 6

Isle of Man Enterprises reduces loss

The directors of Isle of Man Enterprises report a reduced loss *for the six months to April 30,* 1978, from £13,752 to £13,500 on turnover of £27,070 against £23,765, and state that the loss is not indicative of the full year's result because of the seasonal nature of most of the company's business.

Rentachalet bookings for the holiday season are comparable *with last year, they add, and they* anticipate an increased contribution from this operation in the *second-half.*

For the full 1976-77 year, the company achieved a record profit of £70,839 and paid a 2.5p dividend per 20p share. There *is no* tax charge (same) on the six months figures.

Clark Son slight downturn

TAXABLE profits of Clark, Son and Morland, sheepskin products manufacturer, fell slightly for the year to February 25, 1978 from a peak £1.19m to £1.03m on turnover ahead at £17.56m compared with £13.82m.

Profit was struck after depreciation £238,000 (£217,000) and interest £354,000 (£362,000). After tax £422,000 (£600,000) net profit was £612,000 against £594,000 and earnings *per £1 share* are shown as 61.3p compared with 56.4p.

The directors state that in the current year they are putting more resources into extending the company's retail interests in several countries and the prospects for these parts of the business are good.

There is an over capacity for *tanning and fellmongering* in the U.K. due to expansion and the establishment of processing in the countries from where traditionally a lot of raw materials have been purchased, they say. The effect of these developments is to put pressure on the supply of skins and to provide more competition for finished products. They add *that the position* for footwear is rather better than for skeepskin products generally.

The company is unquoted and has close status.

Wettern's development policy

IN HIS first annual statement as chairman of Wettern Brothers, Mr. J. H. Wettern says the board is currently addressing itself to shaping the company's future over the next few years and plans are going ahead for the expansion of those subsidiaries which have performed consistently well in the past.

At the same time the directors are working to strengthen and regroup the operations which have been less successful of late.

There are signs that parts of the construction industry are beginning to recover from their deep recession, and trading results for the first quarter of the current year already reflect some improvement in the market. However, it is hard to predict whether this will continue.

There has been more involvement than in the past by directors of the parent company in the management and operations of subsidiaries. This makes for *better control and supervision* in subsidiary activities and better opportunities for prompt implementation of Board policy.

As reported on May 27, pre-tax of the company, which is subject to a bid from W. and J. Glossop, slipped from £155,000 to £50,000 in 1977.

Mr. Wettern reports that after *a slow start in the first half* there was an improvement in trade which resulted in better-than-expected full year figures.

The distribution division overcame many problems brought to light in the first half and has been re-structured to harness better the skills of local management. Builders merchants is trading at a *higher* level and its performance was up to expectation in the first quarter of 1978. Wholesaling made disappointing progress and was considerably affected by the national drop in demand for kitchen furniture. This is picking up again, and, with more activity in the ceramic *tiles business, the unit is now* operating at a more satisfactory level.

The manufacturing division's performance improved during 1977 and has a more encouraging order book than was the case 12 months ago. The business of interlocking paving blocks is responding to considerable nationwide publicity. The directors are considering the steps needed to ensure that Mono Concrete maintains its share of this new market. Plans are also in hand to increase the capacity of works in Wales and Scotland.

The trading division had a successful year and has made headway in its plans to improve methods of sand extraction and treatment, also to widen its markets.

In the composites division efforts have been directed to the development of the medium voltage underground jointing system by Wettern Electric. This innovation has received much support from electrical engineers and the project has progressed well during 1977 although some difficulties were experienced in connection with the supply of an important ingredient: a problem now overcome. This adversely affected performance at the latter end of last year with some carry over *into the current year.*

As a precaution against future problems, the compound concerned is now being manufactured in the company's own works under the supervision of its engineering staff. In the longer term this will make for improved performance which the directors *consider to be satisfactory.*

As a result of these problems it was decided to write-off development costs, previously carried forward, together with all expenses incurred during the year 1977. These have been treated as an extraordinary item in the accounts.

A *statement* of source and application of funds shows a £223,000 decrease (£801,000 increase) in net liquid funds.

The AGM of the company will be held at the Fairfield Halls, Croydon, on June 22 at 10.30 a.m.

COMPANY NEWS IN BRIEF

ALLIED LEATHER INDUSTRIES—Results for 1977 reported May 23. Group fixed assets £2.4m (£3.3m). Net current assets £1.9m (£1.24m). Meeting, Abercorn Rooms, EC, on June 30, at 11 am.

ANGLO-SWISS HOLDINGS—Results for 1977 previously reported. Fixed assets £2.15m (£1.43m), net current assets £0.9m (£0.79m), increase in net liquid funds £197,256 (£205,928 decrease). Meeting, West Drayton, June 21 at 2.15 pm.

ASH SPINNING—Final dividend 3.4p, making 4.4p year ended March 31, 1978 (3.9827p). Group sales £3,146,101 (£3,071,471). Net group profit £40,423 (£44,794) after tax £45,605 (£43,438). Add exceptional profit £113,430 (£97,836). Earnings per share 19.23p (17.53p). Board intends to take advantage of any reduction in the rate of related tax credit for the fiscal year 1978-79 below 24-64ths.

BISHOPSGATE TRUST—Results to March 31, 1978, reported May 11. Investments £22.83m (£20.13m), current assets £1.22m (£1.21m), current liabilities £0.68m (£0.85m). Increase in dividend at least as great as inflation rate forecast for 1978-79. Prudential Assurance Company owns 18.3 per cent of shares and Standard Life Assurance Company 5.9 per cent. Meeting, 41, Bishopsgate, EC, June 19, at 2.45 pm.

CHARLES EARLY AND MARRIOTT (WITNEY)—Results for year ended January 27, 1978, already reported. Fixed assets £1.45m (same). Net current assets £1.83m (£1.56m). Meeting, Witney, Oxfordshire, on June 19 at 2.30 p.m.

CHANNEL ISLANDS AND INTERNATIONAL INVESTMENT TRUST—Results for 1977 already known. Investments £3,134,901 (£2,744,139), current assets £430,919 (£214,356), *current liabilities* £202,358 (£206,665). Net liquidity increased by £214,664 (£102,197). Directors expect to announce further increases in dividend for 1978. Meeting, Jersey, June 9.

COSALT—Results for January 1, 1978, reported April 19. Net current assets £4.1m (£2.77m). Group fixed assets £3.63m (£2.44m). Although growth is not expected to match that of recent years, another good year expected in 1978. Meeting, Grimsby, June 19 at noon.

CREDIT AND GUARANTEE INSURANCE COMPANY—Results for 1977 already known. Investments £883,653 (£695,744), current assets £1.47m (£1.18m), current liabilities £1.08m (£906,881). At year end, cash at bank, on deposit and in hand up £165,960 (£334,306). Chairman says trend of premiums written for 1978 underwriting account indicates further growth of direct credit and bonding portfolio.

DOWNS SURGICAL—1977 results reported May 4. *Fixed* assets £1.9m (£1.96m), net current assets £4.2m (£4.39m), increase of net liquid funds £137,375 (£1.23m). Recovery which began in 1977 continues and 1978-79 is expected to show a further increase in sales and profits. Meeting, Selfridge Hotel, W. June 16 at noon.

EDWARD LE BAS—Results for 1977 already known. Group fixed assets £2.7m (£3.32m). Net current assets £2.45m (£2.61m). Meeting, Savoy Hotel, WC, on June 21 at noon.

GENERAL SCOTTISH TRUST—Results for year to March 31, 1978, reported April 21. Quoted investments in UK £7.25m (£4.33m); elsewhere £3.71m (£4.18m) and unquoted £340,710 (£348,483). Net current assets £690,832 (£223,851). Cash and short term deposits increased £431,060 (£208,090). Meeting, Edinburgh, June 22, 10.30 am.

ROBERT J. GOFF AND CO. (bloodstock auctioneering)—Income for 1977 £542,716 (£474,129), pre-tax loss £36,862 (£255,204). Fixed assets £2.33m, (same), net current liabilities £53,528 (£865,040). Working capital up £381,212 (£127,257). The company is budgeting in 1978 for gains on all fronts, which, if achieved will contribute to a further improvement in its financial position. Meeting, Kill, Co. Kildare, June 12 at 11 am.

HOUSE PROPERTY COMPANY OF LONDON—Results for 1977 previously reported. Fixed assets £9.49m (£9.47m), net current assets £44,017 (£44,318). Increase in liquid funds £142,282 (£229,829). Meeting, Wimbledon, June 21 at noon.

INTER-CITY INVESTMENT GROUP—Results for 1977 reported May 12. Further *increase expected in 1978.* Fixed assets £1.06m (£0.73m), net current assets £9.61m (£9.54m). Meeting, 100, Old Broad Street, EC, June 19, at 10.30 a.m.

JOVE INVESTMENT TRUST—Results for year to February 28, 1978, already known. Quoted investments at market value £2.89m (£2.1m). Unquoted at directors' valuation £17,237 (£13,361). Meeting, 44, Bloomsbury Square WC, on June 19 at 10 am.

KINGSIDE INVESTMENT COMPANY—1977 results previously reported. Investments £5.54m (£4.4m), net current liabilities £66,690 (£94,383). Subsidiary National and Foreign Securities Trust not consolidated—total assets £165,996 (£129,007), liabilities £149,455 (£113,692). Meeting, Bloomsbury Square, WC, March 29 at 3 pm.

LEISURE CARAVAN PARKS—Results for the year to February 28, 1978, already known. Group fixed assets £13.41m (£9.54m.). Current assets £1.92m (£1.39m.). Current liabilities £2.48m (£1.98m.). Decrease in working capital £138,080 (£298,080 increase).

LONDON AND LENNOX INVESTMENT TRUST—Results for year to March 31, 1978, reported May 18. UK quoted investments, at market value, £4.65m (£4.12m), abroad £4.53m (£3.03m), and unquoted, at directors valuation, £454,460 (£493,204). Net current assets £575,909 (£240,760 liabilities). Directors say revenue projections are encouraging and they hope to recommend a further increase in dividend. Meeting, 2, St. Mary Axe, EC, *June 21, 11.30 am.*

PRICE AND PIERCE (HOLDING COMPANY)—Turnover £314.63m (£304.94m) in 1977. Pre-tax profit £668,000 (£2.93m) after interest £1.35m (£1.6m). Tax £190,000 (£792,000). Chairman says in annual statement that overall group should have a better year than last but, due to the continued economic recession, will probably not achieve the profit they saw in 1976. Company owned by Tozer Kemsley and Millbourn (Holdings).

MARSHALL'S UNIVERSAL (car distributor)—Results for 1977 reported May 4 with observations on prospects. Group fixed assets £6.38m (£4.31m). Net current assets £9.2m (£5.46m). Meeting, Fairfield Halls, Croydon, on June 19, at noon.

MORGAN CRUCIBLE—Results for 1977 reported April 7. Net current assets £22.49m (£20.93m.), fixed assets £37.7m (£35.61m.). Increase in funds £1.02m (£0.62m.). Meeting, Cafe Royal, W., June 22 at 11.20 a.m.

NINETEEN TWENTY EIGHT INVESTMENT TRUST—Results to March 31, 1978, reported May 13. Investments £36.22m (£34.87m), current assets £1.65m (£1.65m), current liabilities £0.98m (£0.53m). Increase in dividend expected this year. Meeting, Waterloo Place, June 22 at 2.45 pm.

SECCOMBE MARSHALL AND CAMPION (discount house)—Results for year to April 30, 1978, reported May 17. Bills discounted £63.44m (£85.76m), sterling negotiable certificates of deposit £12.94m (£16.21m), investments £0.39m (£2.31m). Deposits, other liabilities and reserve for contingencies £1.27m (£5m). Meeting, 7, Birchin Lane, EC, June 21, at 3.30 pm.

SUNLIGHT SERVICE GROUP (laundries and dry cleaning)—Results for 1977 reported May 12. Group fixed assets £7.21m, (£7.29m.). Current assts £5.74m (£5.05m.). Current liabilities £4.08m, (£2.9m.). Trading in early months of current year has been mixed. The year will be difficult but directors hope group will make further progress. Meeting, Royal Lancaster Hotel, W., June 16 noon.

VERNON FASHIONS GROUP—Results for the year to January 28, 1978, reported May 7. Group fixed assets £2m. (£1.17m.). Current assets £1.46m (£2.54m.). Current liabilities £3.41m. (£1.82m.). General prospects for the company are encouraging. Increase in working capital £271,945 (£755,579). Meeting, Great Eastern Hotel, E.C., on June 20, at noon.

COUNTER-INFLATION ACT 1973

The Treasury have given consent to the declaration by the following companies of dividends of the total amounts specified for the financial years ending on the specified dates:

Grovebell Group Ltd.	Kingston-upon-Thames	£22,728	30.11.77
Farnell Electronics Ltd.	Leeds	£620,298	31. 1.78
Elbar Industrial Ltd.	London WC1	£296,883	31.12.77
Wheatsheaf Distribution & Trading Ltd.	Winchester	£1,883,833	25. 2.78
P & W Maclellan Ltd.	Glasgow	£54,183	31.12.77
Wadham Stringer Ltd.	Waterlooville	£971,398	31.12.77
Ocean Transport & Trading Ltd.	Liverpool	£13,709,978	31.12.77
European Ferries Ltd.	London SW1	£4,479,451	31.12.77
Gill & Duffus Group Ltd.	London SE1	£4,321,231	31.12.77
Fairbairn Lawson Ltd.	Leeds	£606,151	31.12.77
Unilever Ltd.	London EC4	£55,003,391*	31.12.77
James Neill Holdings Ltd.	Sheffield	£1,428,677	31.12.77
Newman Industries Ltd.	Bristol	£1,042,872	31.12.77
French Kier Holdings Ltd.	Buckhurst Hill	£1,259,958	31.12.77
The House Property Company of London Ltd.	London SW19	£26,515	31.12.77
Tozer Kemsley & Millbourn (Holdings) Ltd.	London EC3	£2,339,021	31.12.77
Siemssen Hunter Ltd.	London EC1	£226,231	31.12.77
Selincourt Ltd.	London NW1	£957,785	31. 1.78
John Foster & Son Ltd.	Bradford	£218,105	3. 3.78
Dares Estates Ltd.	Birmingham	£58,261	31.12.77
F C Finance Ltd.	Godalming	£212,121	31.12.77
Marshall's Universal Ltd.	Croydon	£479,512	31.12.77
First Castle Securities Ltd.	Liverpool	£70,507	31. 1.78
Third Mile Investment Co Ltd.	Tonbridge	£36,000	31.12.77
Ladbroke Group Ltd.	London NW10	£5,376,012	3. 1.78
Spear & Jackson Inter. Ltd.	Guildford	£755,559	31.12.77
Bamfords Ltd.	Uttoxeter	£250,000	31.12.77
Kwik-Fit (Tyres & Exhausts) Holdings Ltd.	Broxburn	£187,258	28. 2.78

* of which £20,331,561 is not to be paid until further consent

Published by the Treasury as required by the above Act.

NOTICE OF DRAW AND REDEMPTION

finsider international

Société Anonyme—Siège Social : Luxembourg
25 B Boulevard Royal
R. C. Luxembourg n.B 7156

US$ DEBENTURE LOAN WITH A COUPON OF 7.75 PER CENT. — 1970/1985

Guaranteed by FINSIDER

FINSIDER INTERNATIONAL having already acquired under the Terms of the Loan, 711 bonds of a face value of $1000 on the market, Banco di Roma, in its capacity as Paying Agent, in accordance with the Sinking Fund Scheme, has drawn lots—on the issuer's behalf—for the remaining 889 bonds necessary to complete the ninth redemption instalment due on July 1, 1978.

The draw was on 12th May 1978 in the presence of a solicitor and representatives from the Issuing Company and the Guarantor.

BONDS DRAWN FOR REDEMPTION JULY 1, 1978

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BONDS DRAWN No. 889

The bonds indicated above for redemption will expire and be made payable as from July 1, 1978 in US$ for the entire nominal capital plus interests accrued up to that date. They must be presented for redemption with all coupons expiring after July 1, 1978 at the following Institutes:

—BANCO DI ROMA
—MANUFACTURERS HANOVER TRUST COMPANY
—S. G. WARBURG & CO. LIMITED
—BANQUE INTERNATIONALE A LUXEMBOURG S.A. LUXEMBOURG
(former BANQUE LAMBERT S.A. LUXEMBOURG)

BANCO DI ROMA
Paying Agent

Rome, 12 May 1978

MINING NEWS

Cost pressures worry General Mining

BY PAUL CHEESERIGHT

A VEILED WARNING that the continuing increase in production costs may force the closure of some South African gold mines, with consequent rise in unemployment and a decrease in foreign exchange earnings, was made yesterday by Mr. W. J. de Villiers, the chairman of General Mining, in his annual statement.

Since its acquisition of a controlling interest in Union Corporation, General Mining has been second only to Anglo American Corporation among the South African mining houses. Its mines account for some 18 per cent of the gold produced in South Africa and about 26 per cent of the uranium.

Mr. de Villiers remarks were made in the context of a mixed assessment of prospects for the current year, at the end of which he concluded that "results for 1978 should once again be satisfactory."

Unit production costs in the industry had been increasing faster than the rate of inflation, Mr de Villiers commented, while productivity had decreased. Wages, too, had moved up faster than productivity.

"All these factors constitute a danger to the industry," he said. The effects needed to be considered both by the state and by the industry.

"This includes all the resultant effects of a possible reduction in the number of mines which will be able to produce gold profitably in the future. Possible unemployment resulting from the closure of mines and the decrease in foreign exchange earnings are particularly important," Mr. de Villiers said.

The cost per tonne of gold milled among mines administered by General Mining rose to R28.5 (£18) last year, compared with R22.9 in 1976, according to figures in the annual report. Total costs were R218.5m in 1977 against R160.29m in 1976.

The industry as a whole has been cushioned against the increase in costs by the firmness of the bullion price, but aware of the possible effects on the market of U.S. releases Mr. de Villiers is anxious that efforts to create new demand should continue.

Gold and uranium accounted for 14.5 per cent of General Mining's attributable income last year and its uranium capacity is increasing. There seems little doubt that the Langer Heinrich deposit in Namibia (South West Africa) will sooner or later be brought to production.

A pilot plant has been established "to determine the optimum design parameters for a future recovery plant," as Mr. de Villiers put it. At the same time the group has been continuing with marketing and financing investigations.

Looking at other activities within the group, Mr. de Villiers said that demand for asbestos and chrome are weak and there is a surplus of capacity in the international ferro-alloy industry. At the same time prospects for some of General Mining's industrial subsidiaries were unfavourable because of the low level of capital expansion and the restrictions on state expenditure.

The shares were unchanged yesterday at £16.

ROSSING STARTS UP AGAIN

Production on a reduced scale has resumed at Rossing Uranium in Namibia (South West Africa), following a fire last Wednesday, which halted both the mine and the processing plant. Rio Tinto-Zinc has a 46.5 per cent beneficial interest in Rossing.

An RTZ spokesman yesterday explained that one solvent extraction plant had started working again. It was the second which was destroyed by fire and will take six months to replace.

During this week the company will know whether it will be possible to continue production on a reduced scale, using only one plant. It is not yet possible, however, to say whether production for the full year will be down by 20 per cent from the planned 4,000 tonnes of uranium oxide, as the company warned last week.

Agip foiled by Canadian court

An attempt by Agip, the Italian state energy group, to challenge the Canadian Atomic Energy Board's implementation of an export pricing policy for uranium has been foiled in the Federal Court of Appeal in Ottawa.

The Court has ruled that it does not have the power to review decisions by the Board as far as the issue of uranium export licences are concerned. Agip may take the matter to the Supreme Court.

The arguments have been based on a contract Agip has with Madawaska Mines for the supply of uranium oxide. The contract is spread over several years, but the price is settled on an annual basis.

If the two companies cannot agree, a decision is taken by an independent expert. For the 1977 deliveries he decided on a price of US$30.50 a lb. The Atomic Energy Board was not prepared to issue export licences at that price and required Agip to pay C$42 a lb.

It is the Board's power to impose such requirements that Agip has been contesting.

The Canadian Government, which keeps a close control over uranium exports, made it clear last October that all sales would have to be made at the world prices ruling at the time of delivery. Long term contracts merely commit Canadian uranium producers to deliver specific quantities at specific times, Mr. Alastair Gillespie, the Energy Minister said.

Madawaska is one of the smaller producers. It is 51 per cent owned by Federal Resources Corporation of the U.S. and 40 per cent by Canadian Faraday of Toronto.

De Beers has mine dumps plan

DE BEERS CONSOLIDATED is to spend R39m (£24.8m) on a scheme to treat the accumulated dumps of the Kimberley diamond mines in South Africa. This will extend the life of the underground mines to about 20 years, Mr. Harry Oppenheimer, the chairman, told the annual meeting in Kimberley yesterday.

Four of the six mines in the De Beers Kimberley division are involved—Dutoitspan, De Beers, Bultfontein and Wesselton. Their combined production in 1977 was 1.08m carats. At the present rate of mining their underground reserves would have lasted seven or eight years.

"We have established that the retreatment of certain of the older dumps in and around Kimberley is economically justified and have decided to proceed with a twofold plan," Mr Oppenheimer said.

The first part involves replacing present mine feed to the treatment plant with dump material and this will start early next year. The second stage takes in the construction of three small plants for treatment of the outlying dumps and this will start in 1980.

Over the long term production from the Kimberley mines will therefore be considerably greater than it might otherwise have been, as the mines are old and were in any case coming to the end of their life. But some reduction of volume from present levels is expected, although this is not likely to be more than 10 per cent over the next few years.

There has been a marked improvement in recovery methods over the past 10 years and De Beers plans to bring these techniques into play on dumps which have built up since the turn of the century. It is the waste of the first 60 or 70 years which is attractive.

The capital sum involved is relatively small, considered in the context of the group's expansion plan, but the social effects could be considerable by maintaining a continuity of employment in the area.

Yesterday De Beers shares traded quietly and closed 3p higher at 350p.

MINING BRIEFS

AMAL. TIN OF NIGERIA—Production of concentrates for April tin, 124 tonnes (March 193 tonnes). Columbite 33 tonnes (March 24 tonnes).

ENDEAVOUR BUYS A TIN MINE

Endeavour Resources, the Melbourne mining and exploration company, is extending its tin interests by the purchase of the Moolyella mine near Marble Bar in the Pilbara region of Western Australia. The purchase price is A$1.06m (£639,600).

This covers 78 square kilometres of mining tenements with water rights and tailing leases, but details have not been worked out for Endeavour's takeover of the mine's treatment plant and associated equipment.

The purchase is a result of Endeavour's association with Bond Corporation, which is taking a 25 per cent stake in the company. Bond arranged some of the loans to fund the purchase and the takeover was made through its agency.

Endeavour is already involved in tin mining with an operation at Emmaville, New South Wales. Its shares were 20½p yesterday.

SHARE STAKES

General Accident Fire and Life—Kuwait Investment Office has increased its holding by 110,000 ordinary shares to 12.16m (7.4 per cent).

Cakebread Robey—Mr H. G. S. Grove has acquired 2,500 ordinary shares and now owns 121,200 in his own name and 10,000 in the name of Gentleman's Row Investment Company.

Carpets Intl. — Mr. S. F. Townsend, a director, has purchased 5,470 ordinary shares.

Leisure Caravan Parks—P. W. Harris and D. C. R. Allen, both directors, have each sold 30,000 shares.

Warner Holidays — Notified of the following transactions by directors—Mr. E. H. S. Warner on May 15, bought 18,093 ordinary shares and May 17, sold 18,093 "A" ordinary; Mr. H. E. A. Warner, on May 15, bought 25,000 ordinary and on May 15, sold 10,000 "A" and on May 17 sold 15,000 "A"; Mr J. O. C. Warner bought on May 15, 25,000 ordinary and on May 17 sold 25,000 "A"; Mr. H. E. A. Warner, Mr. J. O. C. Warner and another (trustees) on May 15 bought 6,907 ordinary and on May 17 sold 6,907 "A".

Hunt and Moscrop (Middleton)—As shown in latest accounts, 2,220,741 ordinary shares held by Williams and Glyn's Trust Company as trustees of the settlements created by the late Mr. E. F. Hunt. As a result of the death on January 6 of the late Mr. Hunt's widow, Mrs. N. Hunt, the trusts have now come to an end and two of the beneficiaries entitled to participate in the final distribution are Mr. E. W. Hunt and Mr. G. A. Hunt. Mr. E. W. Hunt and family will receive by transfer 740,247 ordinary and Mr. G. A. Hunt will receive by transfer 740,247.

Bryant Holdings—Mr. R. H. D. Hawkins, a director, has sold 15,000 ordinary shares.

C. E. Heath and Co.—Mr. J. J. Burton, a director, has become interested in 30,000 ordinary shares following the exercise of his option under the share option scheme.

Assam Trading (Holdings)—Mr. J. M. Guthrie on May 25 on behalf of 1965 settlement (trustees J. A. Driver and C. E. Free) purchased 1,100 "B" stock units. Mr. J. Guthrie on May 25 purchased on behalf of his three children, Miss S. Guthrie, P. J. Guthrie and R. Guthrie, 800 "B" stock units each. Total number of "B" stock units purchased 3,500.

Bank of Scotland — Kuwait Investment Office has acquired an interest in a further £30,000 stock units of £1. Making its total holding £1,905,000 stock (5.907 per cent).

John Carr (Doncaster)—Mr. J. R. Woolley, a director, has sold 10,000 shares.

Turner Manufacturing—Received notification that on May 15, 60,232 ordinary shares held non-beneficially by Mr. R. B. Dumbell and Mr. D. F. Dumbell as executors of the estate of the late Mr. P. B. Dumbell were distributed to the beneficiaries and cease to be included in the non-beneficial interests of Mr. Dumbell and Mr. C. F. Dumbell. Of these shares, 6,607 were transferred to Mr. R. F. Dumbell as a beneficiary and 6,607 were transferred to Mr. C. F. Dumbell as a beneficiary.

Edward Jones (Contractors)—Mr. and Mrs. Edward Jones have sold 145,000 shares reducing their holding to 375,427.

Dawson Intl. — Woodbourne Nominees on May 22 held 2,769,237 ord shares.

John Menzies (Hldgs).—Mr J. M. Menzies now has an interest in family trusts amounting to 840,516 ord shares, his interest in the ord shares of the company is now as follows: Personal 1,655,752 and trustee 2,049,846, a total of 3,705,598 (26.79 per cent).

MONEY MARKET

Extremely large help

Bank of England Minimum Lending Rate 9 per cent (since May 12, 1978)

Discount houses chose yesterday to take-up most of the Treasury bills bought at Friday's tender. This caused a fairly severe shortage of day-to-day credit, and the authorities gave assistance on an extremely large scale. The Bank of England bought an extremely large amount of Treasury bills from the houses and a small number of local authority bills.

The only factor working in favour of the market was surplus balances carried over the weekend by the banks.

Discount houses paid around 8½ per cent for early secured money, and closing balances were taken at 7-8 per cent.

In the interbank market overnight loans opened at 8¼-8½ per cent, and rose to 9-9¼ per cent, before easing to 7-7½ per cent in the afternoon, and closing at 8-8½ per cent.

Fixed period interest rates were fairly steady for the shorter periods, with the three-month interbank rate trading at about 9⅜-9½ per cent throughout. Longer periods were generally firmer however, while the houses buying rates for three-month Treasury bills pointed towards a probable rise in the bill rate at this week's tender.

Rates in the table below are nominal in some cases.

May 30 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposit	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	7-9¼	—	—	—	9¼	7-8	—	—	—
2 days notice	—	—	8⅝-8¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	9	9⅜	7½-8	—	—	—
7 days notice	—	8½-9	8¾-8⅞	—	9¼-9⅜	9½	8¼-8½	8¼	8⅝-8¹¹⁄₁₆	9
One month	8⅞-8¾	9⅛-9¼	8⅞	9⅛-8⅞	9⅝	—	8⅜-8½	8½	8⅞	9⅛
Two months	9⅛-9	9¼-9⅜	—	9¼-8¾	9¾	9¾	8⅝	8¹⁵⁄₁₆-8⅞	8¹⁵⁄₁₆-9	9⅜-9½
Three months	9⅝-9½	9⅜-9½	9¼	9¼-8¾	10¼	—	—	—	9⅜	9⅞
Six months	9⅞-9½	9¾-10	9½-9⅝	9¼-8¾	10⅜	—	—	—	—	—
Nine months	9⅞-9¾	9⅞-10⅛	—	9⅞-9½	10⅜	—	—	—	—	—
One year	10⅛-9⅞	9⅞-10¼	9⅞-10⅛	9⅞-9½	—	—	—	—	—	—
Two years	—	—	10⅞-11	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rate nominally three years 11¾-12 per cent, four years 12-12¼ per cent; five years 12¼-12½ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-months bank bills 9⁵⁄₁₆-9¼ per cent; four-month trade bills 9¾ per cent.

Approximate selling rates for one-month Treasury bills 8⅛ per cent; two-month 8¾-8⅞ per cent; and three-month 8⅞-8¹⁵⁄₁₆ per cent. Approximate selling rate for one-month bank bills 8¾-8⁹⁄₁₆ per cent; and two-month 8⅞ per cent; and three-month 8⅞-8⅞ per cent. One-month trade bills 9½ per cent. Two-month 9 per cent; and also three-month 9¼-9¾ per cent.

Finance House Base Rates (published by the Finance Houses Association) 7½ per cent from May 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 6 per cent. Clearing Bank Base Rates for lending 9 per cent. Treasury Bills: Average tender rates of discount 8.4525 per cent.

French Kier expects profit to top £6m

WHILE THERE are slight signs of an upturn in the UK building market which have been reflected in the order book at French Kier Holdings, the heavy civil engineering market remains flat, Mr. J. C. S. Mott, the chairman, says in his annual statement.

However, the group is fortunate in having a number of long term civil engineering contracts on hand which may see it through the current period of stagnation.

Generally the group continues to receive an acceptable level of inquiries from which to replenish its order book.

Overall for 1978 Mr. Mott expects profits to be not less than the record £6.01m achieved last year.

French Kier continues to gain new business overseas, although competition is strong.

The products and services companies of the group see the possibility of furthering the scope of certain activities and expect to at least maintain their market position.

The property companies are at the begining of a more constructive phase, Mr. Mott says, and during the year will move forward certain projects which have been dormant while past financial problems have ben resolved. The group is approaching the private housing market with some caution.

The reorganisation and relocation of the group's management will be completed this year and consideration is being given to the future realisation or redevelopment of the business premises which will become surplus.

At year-end, fixed assets were £19.83m (£18.55m) and net current assets £5m (£4.34m).

Meeting, Waldorf Hotel, WC, June 23 at 11 am.

Minster Insce. profit falls by £1.4m

Pre-tax profits of Minster Insurance Company, a subsidiary of Minster Assets, fell last year to £4.1m from the the record level of £5.5m in the previous year. Mr. D. S. A. Pearce, in his chairman's statement, points out that trading conditions in the motor account were difficult in 1977, with a very low level of growth. This arose partly from competition and also from action taken to correct the performance in the motor cycle account which resulted in a significant reduction in the size of the portfolio.

He reports good progress during last year in the UK fire and accident account with a satisfactory increase in premium income. There was, however, an underwriting loss mainly attributable to property business. Although the group originally only wrote fire business in the UK, the scope of operations was extended last November to include overseas business.

The revenue account for motor, fire and accident shews an underwriting loss of £2.2m compared with a small profit of £90,000 in 1976. The marine and aviation account made a profit of £560,000 (£170,000). Investment income was more than £1m higher at £7m, but other expenses accounted for £1.3m compared with nearly £0.7m in 1976.

This increase, as Mr. Pearce points out, arose from the purchase of a new computer and a shortfall in rent from the unoccupied part of the new head office building. This has now been let. Thus the pre-tax profit came to £4.1m against £5.5m and after tax the profit amounted to £2.1m, slightly lower than in 1976. Dividends of £1m were paid, the same as in the previous year.

The life department reports a successful year; with an important contribution being made by the mortgage department in its first full year of operation. The life fund increased by nearly £0.5m during the year to £7m at the end of 1977.

OEM CHAIRMAN SELLS MORE

Since December last year Mr. Erich Markus, chairman of Office and Electronics Machines, appears to have sold more than a fifth of his key holdings in the company. The latest balance-sheet reveals that Mr. Markus had sold 190,000 shares between the year end and April 24, and yesterday he announced a "further" sale of 104,078 shares. This brings his holding down to 1.1m shares (18 per cent) compared with 1.4m (23 per cent) at the year end.

Laing moves into local contracts

THINKING SMALL is paying off in the UK for John Laing and Son, the international contracting and property group.

Several years ago the group regionalised its building operations, enabling it to compete successfully for smaller local contracts.

And with the civil engineering market now 40 per cent below its peak, the group is following suit with these activities and is now tackling smaller local contracts.

Sir Maurice Laing, the chairman, says in his annual statement that the group's initial experience has been favourable and that it is succeeding in profitably increasing its share of the smaller market.

Overall Sir Maurice expects civil engineering turnover in 1978 to increase. But with the continuing rundown of the Grain power station and the Littlebrook power station, completion at Redcar and the shorter duration of the smaller contracts the forward secured turnover for 1979 is relatively low.

On the construction side, although it would be premature to say the UK construction market has considerably improved, both the level of inquiries and the size of potential contracts are beginning to increase, Sir Maurice says. He is hopeful of seeing a slow but continuous climb from the trough of the depression reached at the end of 1977. But for some years to come he does not see the level of construction activity approaching the boom proportions of the early 1970s.

With contracting, the overseas market is hardening and the intake of new work is not what directors would desire.

Sir Maurice hopes to make a statement at the AGM concerning the proposed hiving-off of its £83.5m property investment portfolio and development activities. Directors are currently examining, with advisers N. M. Rothschild and Sons, the feasibility of forming a new and independent listed company for the property operations.

In 1977 commercial projects with a gross value of some £12m were completed and let, and either sold or transferred to the investment portfolio. Rent reviews were carried out in the investment side, and these will augment rental income by more than £0.9m per annum.

Development work in hand is considered satisfactory and the outlook for the next two years appears reasonably good. There are good prospects also for maintaining private housing activity at a higher level in 1978. Some improvement in margins is expected.

During the year there was a £14.97m decrease in net liquid funds against a £14.6m increase in 1976.

Meeting, Hemel Hempstead, June 23 at 2.15 pm.

Armstrong Equip. 65p offer for Cornercroft

In a surprise move yesterday, Armstrong Equipment acquired a near 34 per cent stake in Cornercroft from two groups of shareholders, and announced a full scale bid for the Coventry engineering group where Boardroom/shareholder rows have been flaring since 1976.

The offer price is 65p in cash and the shares (which rose 3p last Friday) lifted 9p yesterday to match it. This is the same price as Armstrong paid yesterday for the 24 per cent stake owned by associates of Mr. Denzil How, who spearheaded the attempt to change the Cornercroft Board at the end of 1976. A further 10 per cent was bought from Mr. Peter Berry and associates. Armstrong had earlier bought 25,000 shares taking its total stake to 34.79 per cent, and later in the day purchased a further 88,000 at the same price, increasing its holding to 38.31 per cent.

Cornercroft's reaction to the bid was not immediately known yesterday, though it is believed that an earlier approach from Armstrong had not been welcomed. The position has now, of course, changed with the share purchases, and the Cornercroft Board and its advisers, County Bank, are urging shareholders to take no action while the offer is being considered.

For the Board Mr. Jim Hartwell, the chairman whom Mr. How and friends tried to depose, holds just under 9 per cent of the equity and institutions, including Scottish Amicable and Wesleyan and General Assurance, together with nominees of Charterhouse Japhet, control 16.5 per cent.

The offer price represents an exit p/e of 12 on last year's stated earnings for Cornercroft of 5.4p. These earnings were based on pre-tax profits of £260,000 for the year to September, a decline from the previous year. The company's profits have fallen each year since 1974 when they were a record £373,000.

Since the year end Mr. Hartwell has announced a re-organisation programme for the loss making sub-contract engineering business, plans for the sale of the Coningsby factory, and record orders for pumps and agricultural equipment.

Armstrong's profits for the last full year were a record £6.26m and since then interim pre-tax figures to January 1 have shown a 49 per cent increase to £4m, including a £¼m first time contribution from two recent acquisitions, Crane Screws and Ormond Engineering. In April, Armstrong made a further acquisition for £850,000—the BTR subsidiary, Gandi Frictions, which makes brake and clutch linings.

ELECTRONIC RENTALS PURCHASE

Electronic Rentals Group, the television rental company operating through the Visionhire chain, has agreed terms to buy Supertel, the Bournemouth based television rental company for £930,000.

ERG which was subject of a reluctant and abortive takeover bid from Phillips Electronics last year, is to pay £276,000 in cash—the remainder in shares—for Supertel which operates eight branches in the Bournemouth area.

Supertel's last annual accounts for the year ended January 31, 1978 showed net tangible assets of £696,000 and pre-tax profits of £125,000.

Phillips was forced to launch a bid for ERG last year—under City Take Over rules—after it increased its stake to just above the 30 per cent level.

BURNDENE

Mr. D. T. C. Caldow, the chairman and managing director of Burndene Investments, the property development and caravan builder, has increased his holding in the company to just over 33 per cent. His personal holding amounted to 30.25 per cent and yesterday it was learnt that Zipnoll, a private company controlled by him, had bought a further 500,000 shares (4.9 per cent).

TEA MERGER FORECAST

Earnings of £1.7m for Jokai Tea Holdings and £1.2m for Longbourne Holdings are forecast in the merger document sent to shareholders yesterday.

Under the terms of the proposals, former Jokai holders will obtain 58.4 per cent and Longbourne holders 41.6 per cent of the new company Lawrie Plantation Holdings. The new company will, if the scheme goes through, pay a special interim dividend of 15p per share in September.

Mr. Grant of Duncan Lawrie, adviser to the LPH, said yesterday that the two companies' stockbrokers had negotiated in detail over the terms of the merger. The rationale for the terms they eventually agreed is not shown in the document. Some of the difficulties in their path are shown in the footnotes.

The Jokai Board states in note 3 of Appendix 1 that the profit available for distribution "is subject to any limitations on remittances of profits from subsidiaries imposed by the authorities in India and Malawi." And that, at present, "permission to remit profits from India is being withheld pending clarification of the taxation treatment of the secretaries' commission paid in previous years."

Similarly, the Board of Longbourne states in note 1 of Appendix 2, "in view of the difficulty of assessing the value of property in Bangladesh . . . it is not practicable at the present time to place a meaningful valuation upon the subsidiaries' companies' tea estates."

£7 for BSM: Jacobs wins

The three-month manoeuvring for control of the British School of Motoring with its captive new driver car buyer market ended yesterday with the announcement from Singer and Friedlander that Mr. Anthony Jacobs and associates will pay £7 cash a share for the capital of the companies that control BSM. The offer values the companies at £3.5m.

But the ultimate victor in the behind the scenes struggle for the right to supply BSM with the 1,500 vehicles a year it uses to train drivers has yet to be disclosed. It was earlier announced that, should the Jacobs faction carry the day British Leyland would sign a deal to supply vehicles for the next five years. Singer and Friedlander yesterday indicated that the financing of the Jacobs bid was not dependent on an exclusive supply deal with any particular manufacturer.

BSM is currently controlled by two companies, Taurus Vehicle Leasing and Mansion House Finance, which have exactly the same shareholders holding similar numbers of shares in each. Mr. Jacobs, other directors of the two companies and their families are understood to control slightly in excess of 50 per cent of the capital of the two companies.

As a result of the successful offer, Mr. Jacobs and as yet unnamed associates will buy out the other shareholders of Taurus Vehicle Leasing which will then bid for the shares of Mansion House Finance. The bid values the joint holding in TVL and MHF at £7 a share and matches a revised bid from motor vehicle distributor, Dorada Holdings.

Dorada raised the stakes late last week when it informed MHF's advisers that it was prepared to pay £7 a share provided the increased offer was accepted by 7 pm on Friday, May 26.

The MHF board, of which Mr. Jacobs is a member, was meeting on Friday afternoon. It was informed of the increased Dorada offer and of the decision by Mr. Jacobs and his associates to match the offer.

In its statement yesterday Singer and Friedlander says that Mr. Jacobs and associates have acquired or agreed to acquire in excess of 90 per cent of MHF's capital. It is understood that the acceptances are irrevocable. Mr. Thomas Kenny, Dorada's chairman bowed out of the fray yesterday with the comment that he had "no intention of getting involved in a Dutch auction."

Rosehaugh on the move

By Christine Moir

A £52,850 investment in two unquoted property companies last year now looks as if it will transform Rosehaugh Company, the investment group in which Mr. Godfrey Bradman has just under 50 per cent.

Yesterday the shares were suspended at 182p with the company announcing that it intended to publish information which was likely to result in "substantially enhanced values to its unquoted investments which in turn may affect the company's future."

Judging by the improvement in the share price over the last 18 months the move has been expected for some time. From a low of 18p in 1977 the shares rose to 130p and since January they have risen again to the suspension price.

Last year Rosehaugh bought a 90 per cent. stake in Tannergate, for £52,000 and a 28.3 per cent stake in Vokebourne, for £850. Both companies are unquoted property investment concerns in which the other known shareholder is Bernard Sunley Investment Trust.

Tannergate owns a £15.3m portfolio of 1,200 flats, plus shops and office investments, purchased from Legal and General in March 1977. Vokebourne, through its subsidiary Vipvale, paid £11.25m in July for the freehold of Maple House in Tottenham Court Road.

At the time Vipvale was said to be controlled by Sunley and London Mercantile Corporation, of which Mr. Bradman is a director.

Ellerman Lines falls £3m as shipping turns down

ALTHOUGH TURNOVER rose from £136.7m to £164m, taxable profit of Ellerman Lines dropped £3m to £8.7m in 1977.

Mr. D. F. Martin-Jenkins, the chairman of the privately held shipping, brewing and travel agency group, says that profit margins slipped in the year, particularly in shipping, where the strengthening of sterling against freights earned in weak U.S. dollars, strikes by dockers in many areas and the impact of rate cutting by Eastern Bloc countries affected results.

He says that in the last four months the shipping division recorded unsatisfactory results in all the trading operations served by conventional ships.

The picture would have been blacker but for the performance of the containerised operations and the £1.9m profit (£0.7m) from the sale of ships.

On the travel side there was a £1m turnround to a £0.4m profit, and the newly acquired Gold Case group contributed £0.5m.

On the brewing front J. W. Cameron and Co. pushed turnover £4.9m higher, while profit increased slightly after all expenses. The newly acquired Tollemache and Cobbold Breweries returned a final quarter profit at the level anticipated prior to acquisition.

The transport division increased turnover 5 per cent and profits by 75 per cent, but the increased cost of the Danish operations following the sinking of the Hero and the recent downturn on trade between the UK and Sweden and Norway will make it difficult for the division to match this result in 1978.

The newly split investment services division contributed better than expected results, Mr. Martin-Jenkins says.

The result for the year is after interest charges up from £2.1m to £3.22m and realised exchange losses of £1.11m (£0.92m).

The group has a policy of rationalising its fleet of conventional ships and to replace them with containerised and unit-load vessels, and all but £26,000 of the £2m extraordinary loss for the year relates to provisions for fleet rationalisation, redundancy and closure costs.

For the future the chairman does not expect any general recovery in the shipping results in 1978 or perhaps for the next three years.

And while 1978 will be too soon to see effective returns from its short sea trading following the introduction of new container ships, the benefits should be apparent from 1979 onwards.

On the brewing side modest increases in profit should flow from the larger investment base, and in travel a successful year is expected. Bookings already have been encouraging.

Marine and aviation insurance activities are tied to the London insurance market, and there are signs that underwriting rates will ultimately turn out to be too low, Mr. Martin-Jenkins says.

At the year end fixed assets were £119.95m against [illegible] previously, while net current assets had slumped from [illegible] to £0.36m, with short and medium term deposits down from [illegible] to £2.33m and short term loans up from £8.07m to £10.24m.

	1977 £000	[illegible]
Turnover	[illegible]	[illegible]
Trading profit	[illegible]	[illegible]
Profit from sales of ships	[illegible]	[illegible]
Assoc. profits	[illegible]	[illegible]
Investment income	[illegible]	[illegible]
Interest payable	[illegible]	[illegible]
Realised exchange losses	[illegible]	[illegible]
Profit before tax	[illegible]	[illegible]
Tax	[illegible]	[illegible]
Net profit	[illegible]	[illegible]
To minorities	[illegible]	[illegible]
Extraordinary loss	[illegible]	[illegible]
Attributable	[illegible]	[illegible]
Dividends	[illegible]	[illegible]
Retained	[illegible]	[illegible]

†Profit.

HOLLIS ESA

Through a subsidiary, Hollis Bros. and E.S.A. has acquired Smith and Gillinder which trades from East Side, Tyne Dock, South Shields.

ASSOCIATE DEAL

On May 26, Cazenove and Co. bought 25,000 Pork Farms at 605p cumulative dividend for the account of the trustees of Northern Foods Superannuation Fund.

Difficult start for Dunlop

TRADING CONDITIONS this year had remained difficult at Dunlop Holdings, said Sir Reay Geddes, the chairman, who told shareholders at yesterday's AGM that he was cautious about the full year results.

He said that there had been little recovery in UK consumer spending levels since 1977, and that the European tyre business was suffering from intense price competition because of over capacity, the effect of oil prices on vehicle mileage and increased life of steel radial tyres.

The following are extracts from statements by chairmen to other recent annual meetings.

John Menzies (Holdings)—Mr. John Menzies, the chairman, said that sales for the first quarter of the financial year are on budget. Losses in newspaper revenue due to industrial action have been more than replaced by increased sales of other goods. As a result, the previous forecast of an increase in profits for the year remains valid.

Dickinson Robinson Group—The chairman said that the improvement in both orders and sales in the UK which began towards the end of the first quarter had continued and activity had generally increased. The industrial relations disputes which caused profit shortfalls in the early part of the year are past and productivity has improved.

Overseas, all group businesses have made a good start to the year with Canada once again trading profitably.

Though the directors are planning for an improving performance during the year, taking into account the low level of activity in the first quarter they do not expect the first-half results to be better than the second six months of last year.

Francis Industries—The chairman said that the company's performance at the half-year will be sufficiently good to warrant an increase in the interim dividend, and he was satisfied that each company in the group was strongly enough placed in its own industry to prosper from all the opportunities that will arise for the further expansion of the business in the next three to five years.

London United Investments—Sir George Bolton, the chairman, said that the company would continue to show a high rate of profits growth.

He also commented that there had been property sales since the end of the year amounting to £1m. It is understood that the property portfolio is now down to £4½m.

The Board was continuing to explore every avenue that could enable the group to increase its dividend beyond the Treasury limits. Despite the fact that some 90 per cent of profits come from overseas the company has not yet been granted any relief from dividend restraint, he added.

BOND DRAWINGS

CANADIAN PACIFIC (BERMUDA) LIMITED

8¼% Notes Due 1984

***ORION BANK LIMITED** announce that notes for the amount of U.S. $2,061,000 have been drawn in the presence of a Notary Public, for the redemption instalment due 1st July, 1978.*

The numbers of the notes so drawn are as follows:—

11	[illegible]	101	120	174	199	219	238	270	[illegible]	20501	20520	20540	20559	20578	20597	20616	20635	20654	20673
308	382	401	420	[illegible]	458	528	545	564	672	20692	20711	20731	20750	20769	20788	20807	20826	20845	20864
691	711	754	773	792	812	831	850	869	888	20883	20902	20922	20941	20960	20979	20998	21017	21036	21055
907	927	958	1027	1046	1065	1084	1103	1122	1142	21074	21093	21113	21132	21151	21170	21189	21208	21227	21246
1276	1296	1315	1334	1353	1372	1391	1410	1429	1448	21265	21284	21304	21323	21342	21361	21380	21399	21418	21437
1467	1487	1506	1525	1544	1563	1582	1601	1620	1639	21456	21485	21505	21524	21543	21562	21581	21600	21619	21638
1658	1678	1697	1716	1735	1754	1773	1792	1811	1830	21657	21676	21696	21715	21734	21753	21772	21791	21810	21829
1850	1870	1889	1908	1927	1946	1965	1984	2003	2022	21848	21867	21887	21906	21925	21944	21963	21982	22001	22020
2043	2063	2082	2101	2120	2139	2158	2177	2196	2215	22039	22058	22078	22097	22116	22135	22154	22173	22192	22211
2234	2254	2273	2292	2311	2330	2349	2368	2387	2406	22230	22249	22269	22288	22307	22326	22345	22364	22383	22402
2425	2445	2464	2483	2502	2521	2540	2559	2578	2597	22421	22440	22460	22479	22498	22517	22536	22555	22574	22593
2616	2636	2654	2673	2692	2711	2730	2749	2768	2787	22612	22631	22651	22670	22689	22708	22727	22746	22765	22784
2806	2826	2845	2864	2883	2902	2921	2940	2959	2978	22803	22822	22842	22861	22880	22899	22918	22937	22956	22975
2997	3017	3036	3055	3074	3093	3112	3131	3150	3169	22994	23013	23033	23052	23071	23090	23109	23128	23147	23166
3194	3214	3233	3252	3271	3290	3299	3318	3337	3356	23185	23204	23224	23243	23262	23281	23300	23319	23338	23357
3376	3395	3414	3433	3452	3471	3490	3509	3528	3547	23376	23395	23415	23434	23453	23472	23491	23510	23529	23548
3586	3606	3625	3644	3663	3682	3701	3720	3739	3758	23567	23586	23606	23625	23644	23663	23682	23701	23720	23739
3777	3797	3816	3835	3854	3874	3893	3912	3931	3950	23758	23777	23797	23816	23835	23854	23873	23892	23911	23930
3967	3987	4006	4025	4044	4063	4082	4101	4120	4139	23949	23968	23988	24007	24026	24045	24064	24083	24102	24121
4158	4178	4197	4216	4235	4254	4273	4292	4311	4330	24140	24159	24179	24198	24217	24236	24255	24274	24293	24312
4349	4368	4387	4406	4425	4444	4463	4482	4502	4521	24331	24350	24370	24389	24408	24427	24446	24465	24484	24503
4540	4560	4579	4617	4640	4666	4685	4704	4723	4742	24522	24541	24561	24580	24599	24618	24637	24656	24675	24694
4761	4781	4800	4819	4838	4857	4876	4895	4914	4933	24713	24732	24752	24771	24790	24809	24828	24847	24866	24885
4952	4972	4991	5017	5036	5055	5074	5147	5166	5185	24904	24923	24943	24962	24981	25000	25019	25038	25057	25076
5204	5224	5243	5262	5281	5300	5319	5338	5357	5376	25095	25114	25134	25153	25172	25191	25210	25229	25248	25267
5395	5415	5434	5453	5472	5491	5510	5529	5558	5577	25286	25305	25325	25344	25363	25382	25401	25420	25439	25458
5596	5616	5642	5661	5680	5699	5718	5737	5756	5775	25477	25496	25516	25535	25554	25573	25592	25611	25630	25649
5794	5814	5833	5852	5871	5890	5909	5928	5947	5966	25668	25687	25707	25726	25745	25764	25783	25802	25821	25840
5985	6005	6024	6043	6062	6081	6100	6119	6138	6157	25859	25878	25898	25917	25936	25955	25974	25993	26012	26031
6176	6196	6215	6234	6253	6272	6291	6310	6329	6348	26050	26069	26089	26108	26127	26146	26165	26184	26203	26222
6367	6387	6406	6425	6444	6463	6482	6501	6520	6539	26241	26260	26280	26299	26318	26337	26356	26375	26394	26413
6558	6578	6597	6616	6635	6654	6673	6692	6711	6730	26432	26451	26471	26490	26509	26528	26547	26566	26585	26604
6749	6769	6788	6807	6826	6845	6864	6883	6902	6921	26623	26642	26662	26681	26700	26719	26738	26757	26776	26795
6940	6960	6979	6998	7017	7036	7055	7074	7093	7112	26814	26833	26853	26872	26891	26910	26929	26948	26967	26986
7131	7151	7170	7189	7208	7227	7246	7265	7284	7303	27005	27024	27044	27063	27082	27101	27120	27139	27158	27177
7322	7342	7361	7380	7399	7418	7437	7456	7475	7494	27196	27215	27235	27254	27273	27292	27311	27330	27349	27368
7513	7533	7552	7571	7590	7609	7628	7647	7666	7685	27387	27406	27426	27445	27464	27483	27502	27521	27540	27559
7704	7724	7743	7762	7781	7800	7819	7838	7857	7876	27578	27597	27617	27636	27655	27674	27693	27712	27731	27750
7895	7915	7934	7953	7972	7991	8010	8029	8048	8067	27769	27788	27808	27827	27846	27865	27884	27903	27922	27941
8086	8106	8125	8143	8162	8181	8200	8219	8238	8257	27960	27979	27999	28018	28037	28056	28075	28094	28113	28132
8276	8296	8315	8334	8353	8372	8391	8410	8429	8448	28151	28170	28190	28209	28228	28247	28266	28285	28304	28323
8467	8487	8506	8525	8543	8562	8581	8600	8619	8638	28341	28360	28380	28399	28418	28437	28456	28475	28494	28513
8657	8677	8696	8716	8735	8754	8773	8792	8811	8830	28532	28551	28571	28590	28609	28628	28647	28666	28685	28704
8849	8869	8888	8907	8926	8945	8964	8983	9002	9021	28723	28742	28762	28781	28800	28819	28838	28857	28876	28895
9040	9060	9079	9098	9117	9136	9155	9174	9193	9212	28914	28933	28952	28972	28991	29010	29029	29048	29067	29086
9231	9251	9270	9289	9308	9327	9346	9365	9384	9403	29105	29124	29143	29163	29182	29201	29220	29239	29258	29277
9422	9442	9461	9480	9499	9518	9537	9556	9575	9594	29296	29315	29334	29354	29373	29392	29411	29430	29449	29468
9613	9633	9652	9671	9690	9709	9728	9747	9766	9785	29487	29506	29525	29545	29564	29583	29602	29621	29640	29659
9804	9824	9843	9862	9881	9900	9919	9938	9957	9976	29678	29697	29716	29736	29755	29774	29793	29812	29831	29850
9995	10015	10034	10053	10072	10091	10110	10129	10148	10167	29869	29888	29907	29927	29946	29965	29984	30003	30022	30041
10186	10206	10225	10244	10263	10282	10301	10320	10339	10358	30060	30079	30098	30118	30137	30156	30175	30194	30213	30232
10376	10396	10415	10434	10453	10472	10491	10510	10529	10548	30251	30270	30289	30309	30328	30347	30366	30385	30404	30423
10567	10587	10606	10625	10643	10662	10681	10700	10719	10738	30442	30461	30480	30500	30519	30538	30557	30576	30595	30614
10757	10777	10796	10816	10835	10854	10873	10892	10911	10930	30633	30652	30671	30691	30710	30729	30748	30767	30786	30805
10949	10969	10988	11007	11026	11045	11064	11083	11102	11121	30824	30843	30862	30882	30901	30920	30939	30958	30977	30996
11140	11160	11179	11198	11217	11236	11255	11274	11293	11312	31015	31034	31053	31073	31092	31111	31130	31149	31168	31187
11331	11351	11370	11389	11408	11427	11446	11465	11484	11503	31206	31225	31244	31264	31283	31302	31321	31340	31359	31378
11522	11542	11561	11580	11599	11618	11637	11656	11675	11694	31397	31416	31435	31455	31474	31493	31512	31531	31550	31569
11713	11733	11752	11771	11790	11809	11828	11847	11866	11885	31588	31607	31626	31646	31665	31684	31703	31722	31741	31760
11904	11924	11943	11962	11981	12000	12019	12038	12057	12076	31779	31798	31817	31837	31856	31875	31894	31913	31932	31951
12095	12115	12134	12153	12172	12191	12210	12229	12248	12267	31970	31989	32008	32028	32047	32066	32085	32104	32123	32142
12286	12306	12325	12344	12363	12382	12401	12420	12439	12458	32161	32180	32199	32219	32238	32257	32276	32295	32314	32333
12477	12497	12516	12535	12554	12573	12592	12611	12630	12649	32352	32371	32390	32410	32429	32448	32467	32486	32505	32524
12668	12688	12707	12726	12745	12764	12783	12802	12821	12840	32543	32562	32581	32601	32620	32639	32658	32677	32696	32715
12859	12879	12898	12917	12936	12955	12974	12993	13012	13031	32734	32753	32772	32792	32811	32830	32849	32868	32887	32906
13050	13070	13089	13108	13127	13146	13165	13184	13203	13222	32925	32944	32963	32983	33002	33021	33040	33059	33078	33097
13241	13261	13280	13299	13318	13337	13356	13375	13394	13413	33116	33135	33154	33174	33193	33212	33231	33250	33269	33288
13432	13452	13471	13490	13509	13528	13547	13566	13585	13604	33307	33326	33345	33365	33384	33403	33422	33441	33460	33479
13623	13643	13662	13681	13700	13719	13738	13757	13776	13795	33498	33517	33536	33556	33575	33594	33613	33632	33651	33670
13814	13834	13853	13872	13891	13910	13929	13948	13967	13986	33689	33708	33727	33747	33766	33785	33804	33823	33842	33861
14005	14025	14044	14063	14082	14111	14130	14149	14168	14187	33880	33899	33918	33938	33957	33976	33995	34014	34033	34052
14206	14226	14245	14264	14283	14302	14321	14340	14359	14378	34071	34090	34109	34129	34148	34167	34186	34205	34224	34243
14397	14417	14436	14455	14474	14493	14512	14531	14550	14569	34262	34281	34300	34320	34339	34358	34377	34396	34415	34434
14588	14608	14627	14646	14665	14684	14703	14722	14741	14760	34453	34472	34491	34511	34530	34549	34568	34587	34606	34625
14779	14799	14818	14837	14856	14875	14894	14913	14932	14951	34644	34663	34682	34702	34721	34740	34759	34778	34797	34816
14970	14990	15009	15028	15047	15066	15085	15104	15123	15142	34835	34854	34873	34893	34912	34931	34950	34969	34988	35007
15161	15181	15200	15219	15238	15257	15276	15295	15314	15333	35026	35045	35064	35084	35103	35122	35141	35160	35179	35198
15352	15372	15391	15410	15429	15448	15467	15486	15505	15524	35217	35236	35255	35275	35294	35313	35332	35351	35370	35389
15543	15563	15582	15601	15620	15639	15658	15676	15695	15714	35408	35427	35446	35466	35485	35504	35523	35542	35561	35580
15733	15753	15772	15791	15810	15829	15848	15867	15886	15905	35599	35618	35637	35657	35676	35695	35714	35733	35752	35771
15924	15944	15963	15982	16001	16020	16039	16058	16077	16096	35790	35809	35828	35848	35867	35886	35905	35924	35943	35962
16117	16137	16156	16175	16194	16213	16232	16251	16270	16289	35981	36000	36019	36039	36058	36077	36096	36115	36134	36153
16308	16328	16347	16366	16385	16404	16423	16442	16461	16480	36172	36191	36210	36230	36249	36268	36287	36306	36325	36344
16499	16519	16538	16557	16576	16595	16614	16633	16652	16671	36363	36382	36401	36421	36440	36459	36478	36497	36516	36535
16690	16710	16729	16748	16767	16786	16805	16824	16843	16862	36554	36573	36592	36612	36631	36650	36669	36688	36707	36726
16881	16901	16920	16939	16958	16977	16996	17015	17034	17053	36745	36764	36783	36803	36822	36841	36860	36879	36898	36917
17072	17091	17111	17130	17149	17168	17187	17206	17225	17244	36936	36955	36974	36994	37013	37032	37051	37070	37089	37108
17263	17282	17302	17321	17340	17359	17378	17397	17416	17435	37127	37146	37165	37185	37204	37223	37242	37261	37280	37299
17454	17473	17493	17512	17531	17550	17569	17588	17607	17626	37318	37337	37356	37376	37395	37414	37433	37452	37471	37490
17645	17664	17684	17703	17722	17741	17760	17779	17798	17817	37509	37528	37547	37567	37586	37605	37624	37643	37662	37681
17836	17855	17875	17894	17913	17932	17951	17970	17989	18008	37700	37719	37738	37758	37777	37796	37815	37834	37853	37872
18027	18046	18066	18085	18104	18123	18142	18161	18180	18199	37891	37910	37929	37949	37968	37987	38006	38025	38044	38063
18218	18237	18257	18276	18295	18314	18333	18352	18371	18390	38082	38101	38120	38140	38159	38178	38197	38216	38235	38254
18409	18427	18447	18466	18485	18504	18523	18542	18561	18580	38273	38292	38311	38331	38350	38369	38388	38407	38426	38445
18599	18618	18638	18657	18676	18695	18714	18733	18752	18771	38464	38483	38502	38522	38541	38560	38579	38598	38617	38636
18790	18809	18829	18848	18867	18886	18905	18924	18943	18962	38655	38674	38693	38713	38732	38751	38770	38789	38808	38827
18971	18990	19010	19029	19048	19067	19086	19105	19124	19143	38846	38865	38884	38904	38923	38942	38961	38980	38999	39018
19162	19181	19201	19220	19239	19258	19277	19296	19315	19334	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
19352	19372	19391	19411	19430	19449	19468	19487	19506	19525	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
19544	19563	19583	19602	19621	19640	19659	19678	19697	19716	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
19735	19757	19777	19796	19815	19834	19853	19872	19891	19910	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
19926	19948	19968	19987	20006	20025	20043	20062	20081	20100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20119	20138	20158	20177	20196	20215	20234	20253	20272	20291	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20310	20329	20349	20368	20387	20406	20425	20444	20463	20482	39932									

On 1st July, 1978 there will become due and payable upon each note drawn for redemption, the principal amount thereof, together with accrued interest to said date at the office of:—

ORION BANK LIMITED, 1 London Wall, London EC2Y 5JX

or one of the other paying agents named on the notes.

Interest will cease to accrue on the notes called for redemption on and after 1st July, 1978 and notes so presented for payment must have attached all coupons maturing subsequent to that date.

Redemption Instalment due 1st July, 1978	U.S. $2,700,000
Drawn as of 15th May, 1978	2,061,000
Purchased	639,000

U.S. $37,300,000 nominal notes will remain outstanding after 1st July 1978.

1 London Wall, London EC2Y 5JX. 31st May, 1978.

SNIA VISCOSA

SOCIETA NAZIONALE INDUSTRIA APPLICAZIONI VISCOSA S.p.A.
HEADQUARTERS IN MILAN - VIA MONTEBELLO, 18

Company's Capital Lire 64,674,426,000

Registered at the Milan Tribunal Chancery under Soc. No. 40257

ORDINARY AND EXTRAORDINARY ANNUAL GENERAL MEETING OF APRIL 29, 1978

The Ordinary and Extraordinary Annual General Meeting of SNIA VISCOSA was held on April 29, 1978 under the chairmanship of Avvocato Luigi Santa Maria. The Company's turnover amounted to Lit.632,000m., with an increase of 18.2 per cent, while the sales figures of the Group as a whole was Lit.1,144,000m., with an increase of 10.3 per cent. The negative results of the year under review which caused a net loss of Lit.47,000m. covered by drawing on a revaluation reserve, was caused by a negative trend of the Chemical Fibres and Textile Processing Divisions. Other Divisions (Chemical, Engineering, Defence and Space Divisions) and the hydrocarbon and agricultural sectors achieved positive results.

In the course of discussions the President pointed out the reasons, already illustrated in the Report, for the depression of the whole chemical fibre sector both at national and international level. In the last three years this crisis cost the European companies a global loss of 3,000m. dollars. This explains the initiative by the EEC, proposing in the person of its commissioner Davignon, to arrest, by a direct and voluntary agreement among producers, the growth of production and to reduce the existing excess production capacity in order to balance within the next few years the production/capacity ratio, and thus to gradually re-build the market mechanisms.

On reviewing the state of Italian industry and particularly of Snia, the President pointed out that any solution of the crisis necessarily implied a co-ordination with the activity of other producers. However, in spite of various plans both by private and public sectors, no concrete solution has been found as yet. And to find a solution is both urgent and indispensable, given the importance of the sector as well as of the Italian textile manufacturing industry substantially contributing to the Italian trade balance. In Italy too, as in the rest of the world, there exists today an inconsistency of supply and demand in the fibre sector, which is even more serious than elsewhere owing to the prevailing of political considerations over technical economic ones which resulted in an extension of plants without any economic programming. SNIA has not contributed to create this situation, but now SNIA is paying for the errors made by others.

To meet these errors, the President declared, a further management decentralisation was necessary, by establishing companies which would take over the activities of single Divisions. This should bring about major changes in responsibility and also encourage financial operations through possible agreements with third parties. Lastly, given the Company's under-capitalisation, the President referred to possible alternative sources of income separate from production processes and also to the formation of banking consortia to act as temporary channels for self-financing replacing the present credit-financing.

The Ordinary Meeting unanimously approved the Report, the Balance Sheet and the Profit and Loss Account and the Extraordinary Meeting modified a number of items of the Company's By-Laws and confirmed as administrator Ing. Pier Giorgio Gatti, already co-opted by the Board.

SNIA

INTERNATIONAL FINANCIAL AND COMPANY NEWS

AMERICAN NEWS

Max Factor president quits as profits decline

BY JOHN WYLES

NEW YORK, May 30.

MR. SAMUEL KALISH, the president and chief executive of Max Factor and Co., is to step down on July 1. The parent company, Norton Simon, is disappointed with Max Factor's earnings performance in the U.S.

Mr. Kalish is the second Max Factor chief executive to depart because of dissatisfaction at Norton Simon since the cosmetic company was acquired by the conglomerate in 1973. Mr. Chester Firestein was recruited to run Max Factor shortly after the acquisition but two years of stagnant earnings were followed by his departure in December, 1975. Mr. Kalish was then brought over from the presidency of Revlon's international division in May 1976 and he introduced a sweeping development programme which was notable for the introduction of new product lines and the departure of up to 75 Max Factor executives.

Initially, this approach seemed to help boost Max Factor's profits and the division was rewarded with a warm tribute in Norton Simon's 1977 annual report which spoke of a "strong thrust" in fiscal 1977 profits which represented "the first significant return on investments we have made in our cosmetics and fragrances business during the last three years." Cosmetics accounted for about 20 per cent of Norton Simon's sales in 1977.

Norton Simon expected the momentum to continue but a warning that all was not well came in the company's interim report to shareholders for the nine months ended March 31, 1978. Mr. David Mahoney, Norton Simon chairman, said that a high level of domestic advertising to promote new products, coupled with a repositioning of the basic Max Factor line in department stores had had "an unfavourable impact on profitability."

Announcing Mr. Kalish's departure today, Mr. Mahoney said that cosmetic operations in Japan, the UK and other international markets were doing better than last year, but "a disappointing U.S. performance will result in lower earnings for Max Factor and Company this year."

The Norton Simon chairman is generally credited with the growth of the company in the past nine years during which time sales have doubled to $1.8bn and earnings per share have leaped from 86 cents to $1.93. Almost the entire emphasis is on consumer products with Norton Simon interests ranging from food manufacturing, through the fashion designs of Halston to the car rental company Avis, which was acquired last year.

Avis is expected to contribute about 15 to 20 cents a share to Norton Simon's earnings, which Mr. Mahoney said today would approximate $2.25 a share for the fiscal year ending on June 30.

Esselte wins control of Dymo

BY DAVID LASCELLES

NEW YORK, May 30.

DIRECTORS OF Dymo Industries, the San Francisco-based labelling machine maker, decided over the weekend to recommend acceptance of a takeover bid by Esselte, the Swedish concern, thus ending a two week skirmish.

The announcement means that Esselte, whose interests include paper and publishing, has greatly strengthened its position in the U.S. office equipment and stationery business, where it already had a foothold via its subsidiary, Oxford Pendaflex, the maker of office filing systems which it bought two years ago.

When the Swedish company made its surprise offer in mid-May of $24 per Dymo share, it was rejected, and for the next ten days there were no developments. Only 24 hours before the expiry of the offer, however, a Los Angeles household goods maker, Daylin, suddenly proposed a $30 a share offer, which Dymo immediately accepted.

Within minutes, Esselte matched the higher offer, only to see Daylin withdraw as suddenly as it had appeared. After that, it only needed Dymo to approve Esselte's higher bid for the deal to go through.

The final price tag for Dymo works out at some $62m, compared with the $45m Esselte first offered, though the Swedes are not insisting on a minimum share tender. By the weekend they had 54.4 per cent of Dymo's stock.

Esselte's expansion into the U.S. office equipment market comes at a time when it is showing strong growth and above average profits.

Dymo's revenues have been increasing by about 10 per cent a year, reaching $210m last year. However, its performance was below average because of ill-advised diversification into laundry services, art supplies and laser phototypesetting technology. Most of these were recently sold off.

Kennecott meeting delay

NEW YORK, May 30.

THE adjourned annual meeting of Kennecott Copper Corporation which had been postponed until today has been further postponed until June 14.

The postponement is to allow Kennecott to receive the final audit figures in its proxy fight with Curtiss-Wright Corporation.

Kennecott's auditors said that they were in the process of reviewing proxies with lawyers for both companies.

Last week, Kennecott said that its list of directors had won over Curtiss-Wright's dissident group. Curtiss-Wright said that Kennecott had won 53.2 per cent of the vote, and Curtiss-Wright 46.7 per cent.

Reuter

New Globe Union merger plan

NEW YORK, May 30.

JOHNSON CONTROLS, the environmental controls concern, has made an offer to the Board of Globe-Union, the car battery maker to merge the two companies. Globe recently agreed a merger with Michigan electrical components maker Square D. Johnson has also acquired an option from UV Industries to purchase the latter's 1m common shares of Globe-Union — representing about 16 per cent of the outstanding—for $40 per share in cash.

The option expires by June 26, unless by that date Johnson and Globe have reached a merger agreement or Johnson has made the necessary Delaware notification for a tender offer for 1m Globe-Union common.

AP-DJ

ITT appeals on payments

By Our Own Correspondent

NEW YORK, May 30.

INTERNATIONAL Telephone and Telegraph is to appeal against a Federal District Court decision which would allow the Securities and Exchange Commission to publicise a complaint accusing the conglomerate of failing to disclose "questionable payments" amounting to around $9m.

However, the Washington court did seal the complaint for a further 20 days to allow ITT to appeal its ruling. The company has complained that details of the SEC charges would hurt certain subsidiaries which are linked with the accusation.

Extra payment from Brascan

TORONTO, May 30.

BRASCAN the Canadian utilities and mining investments manager, will pay an additional dividend of 10 cents (U.S.) a share with its regular quarterly of 25 cents payable July 31.

For the first quarter of this year, Brascan reports earnings of U.S.$1.48 a share against $1.24 previously. Total net of $39.2m compared with $33.2m on sales of $420.1m against $381.9m.

Reuter

Long-term optimism at Massey-Ferguson

TORONTO, May 30.

IN LINE with predictions of hard times ahead for Massey-Ferguson when it reported a loss of some $38m for the first quarter, the company today announced a second quarter loss of $16.7m against the net profit for the same period last year of $2.1m. This was on sales ahead by 17 per cent at $777m. The company reports its figures in U.S. dollars.

Looking ahead, Mr. Albert A. Thornbrough, the company president says that profitable operations are not expected to resume "until sometime in the fourth quarter." However, while the outlook for the remainder of 1978 is tempered by indications of softening markets for farm machinery in many parts of the world, as the second half progresses, programmes now undertaken "will progressively improve operating costs and the balance-sheet."

For the first half as a whole, this brings the company's net loss to $55.5m against a net profit of $5.2m or 1 cent a share for the same period of last year. Sales for the half are 14 per cent higher at $1.31bn.

While the outlook for farm prices appears to "justify cautious optimism" for the rest of the year in North American farm machinery, industrial and construction machinery is expected to show little improvement over 1977.

Efforts to dispose of part or all of the construction machinery business continue, and while at this stage no further information is available, "it must be assumed that a substantial write-down will be required," says Mr. Thornbrough.

Agencies

EUROBONDS

Mexican issue postponed

BY FRANCIS GHILES

THE Eurobond market was again easier yesterday, including the floating rate note sector. This caused the $60m bond for the Mexican Commission Federal de Electricidad to be put off for the time being. In its first day of trading, Dominion Bridge, which had been priced at 99, fell to 96¾ 97¼. The $60m private placement for EIB has been priced at 99¼ with terms otherwise unchanged by lead manager, Istituto Bancario San Paulo di Torino.

The fall in prices is affecting the longer as well as the shorter end of the market. In many cases the yields on the longer terms issues are above those for equivalent Yankee bonds.

In the Swiss Franc sector, the SwFr20m bond for Nokia will have a maturity of 12 years, and a coupon of 5 per cent. Lead manager is Banque Scandinave en Suisse.

While the Asian Development Bank signed an agreement to float a Y15bn 15 year bond last Monday, no agreement has yet been reached between Mexico and Nomura Securities on the terms for a Y12bn 12 year bond which were expected to be finalised earlier this week.

The Asian Development Bank bond, which carries a coupon of 6.3 per cent, was priced at 99¾ to yield 6.33 per cent, the lowest yield so far boasted in this sector of the market by a bond for a foreign agency or government.

Mixed year for Brazil car makers

BY DIANA SMITH

RIO DE JANEIRO, May 30.

THE ANNUAL results of Ford of Brazil and Volkswagen of Brazil are in striking contrast. While Volkswagen reports net profit of $15.42m, Ford suffered a loss of $15.4m.

Last year was difficult for the Brazilian car industry, not only because of a Government fuel-saving campaign which cut into sales (but whose effects now seem to have worn off, making 1978 car sales soar), but also because of higher raw material and component costs which, in Ford's case could not be offset by higher selling prices.

Ford has a share of some 15 per cent in the Brazilian car market and, as its annual report points out, the market is "highly competitive."

Although Volkswagen's output dropped by 50,000 vehicles in 1977, the value of its sales rose by 30.9 per cent because of higher prices, showing it felt strong enough to brave the competition.

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 8½pc 1989	96½	97
AMEV 8pc 1987	95½	96½
Australia 8½pc 1992	92¾	93¼
Australian M. & S. 9½pc '92	96	97½
Barclays Bank 8¾pc 1992	95½	96½
Bowater 9½pc 1992	97½	98
Can. N. Railway 8¾pc 1986	95½	96½
Credit National 8¾pc 1986	96½	97½
Denmark 8¾pc 1984	96½	98
ECS 9pc 1993	96¼	96¾
ECS 8¾pc 1997	94½	95
EIB 8¾pc 1992	97½	98¼
EMI 9½pc 1989	97¼	98¼
Ericsson 8¾pc 1989	95½	96
Esso 8pc 1986 Nov.	100¼	101
Gt. Lakes Paper 8¾pc 1984	97¼	98¼
Hamersley 9½pc 1992	99½	100
Hydro Quebec 9pc 1992	95	95½
ICI 8¾pc 1987	96½	97
ISE Canada 9¼pc 1986	103½	104½
Macmillan Bloedel 9pc 1992	94½	95½
Massey Ferguson 9¼pc '91	97	98
Michelin 9¾pc 1988	101½	102
Midland Int. Fin. 8¾pc '92	95½	96
National Coal Bd. 8pc 1987	93½	94½
National Westminstr. 9pc '86	99½	100
Newfoundland 9pc 1989	98	98½
Nordic Inv. Bk. 8¾pc 1988	95	96½
Norges Kom. Bk. 8¾pc 1992	95	95¾
Norpipe 8¾pc 1989	95	96½
Norsk Hydro 8¾pc 1992	95½	96½
Oslo 9pc 1988	99	99½
Ports Autonomes 9pc 1991	96	96½
Prov. Quebec 9pc 1995	94	94½
Prov. Saskatch. 8¾pc 1986	97½	98½
Reed International 9pc 1987	93	96
RHM 9pc 1992	93½	93¾
Selection Trust 8¾pc 1989	90	91
Skand. Enskilda 9pc 1991	97½	98
SKF 8pc 1987	93	93½

NOTES	Bid	Offer
Australia 7¾pc 1984	94	94½
Bell Canada 7¾pc 1987	94½	95½
Br. Columbia Hyd. 7¾pc '85	92½	93½
Can. Pac. 8¾pc 1984	97½	98
Dow Chemical 8pc 1986	97½	94½
ECS 7¾pc 1982	95½	96
ECS 8¾pc 1989	94½	95
EEC 7¾pc 1982	95½	96
EEC 7¾pc 1984	94½	95
Enso Gutzeit 8¾pc 1984	96½	97
Gotaverken 7¾pc 1982	96	96½
Kockums 8pc 1983	97	97½
Michelin 8¾pc 1983	98	99½
Montreal Urban 9¾pc 1991	99½	100
New Brunswick 8pc 1984	96½	97½
New Bruns. Prov. 8¾pc '83	99½	100
New Zealand 8¾pc 1986	96½	97½
Nordic Inv. Bk. 7¾pc 1984	94½	95
Norsk Hydro 7¾pc 1992	96	96½
Norway 7¾pc 1982	94½	95
Ontario Hydro 8pc 1987	94½	95
Singer 8¾pc 1982	97½	100
S. of Scot. Elec. 8¾pc 1981	95½	96½
Sweden (K'dom) 7¾pc 1982	95½	96
Swedish State Co. 7¾pc '82	96	96½
Telmex 9¾pc 1984	98½	99
Tenneco 7¾pc 1987 May	92½	93½
Volkswagen 7¾pc 1987	93½	94
STERLING BONDS		
Allied Breweries 10½pc '90	87½	88½
Citicorp 10pc 1993	89½	90½
Courtaulds 9½pc 1989	87½	88½
ECS 9½pc 1989	92½	94½
EIB 9¾pc 1988	93½	94½
EIB 9¾pc 1992	92½	93½
Finance for Ind. 9¾pc 1987	90½	91½
Finance for Ind. 10pc 1989	90½	91½
Fisons 10½pc 1987	93½	94½
Gestetner 11pc 1988	91½	92½
INA 10pc 1988	89	90
Rowntree 10¾pc 1988	87½	88½
Sears 10½pc 1988	88½	90½
Total Oil 9¾pc 1984	91	92
DM BONDS		
Asian Dev. Bank 5¾pc 1988	96½	97½
BNDE 6¾pc 1986	96½	97
Canada 4¾pc 1983	97½	98½
Den Norske Id. Bk. 6pc '90	96	96½
Deutsche Bank 4¾pc 1983	97½	98½
ECS 5¾pc 1990	94½	95½
EIB 5¾pc 1990	94½	95½
Elf Aquitaine 5¾pc 1988	94½	96
Euratom 5¾pc 1987	97½	98½
Finland 5¾pc 1986	97	97½
Forsmarks 5¾pc 1990	97½	98
Mexico 6pc 1985	94½	95½
Norcem 5¾pc 1989	100	100½
Norway 4¾pc 1983	98½	99½
Norway 4¾pc 1983	98½	97½
PK Banken 5¾pc 1988	95	95½
Prov. Quebec 6pc 1990	95	95½
Rautaruukki 5¾pc 1988	95	95½
Spain 6pc 1988	94½	97½
Trondheim 5¾pc 1988	96½	97
TVO Power Co. 6pc 1988	96½	97½
Venezuela 6pc 1988	97	97½
World Bank 5¾pc 1988	97½	98
FLOATING RATE NOTES		
Bank of Tokyo 1984 8¾pc	99½	100½
BFCE 1984 8¾pc	99½	100½
BNP 1983 8 9/16pc	100½	100¾
CCF 1985 8¾pc	99½	100
CGMF 1984 7¾pc	99½	100
Creditanstalt 1984 8¾pc	99½	100½
Credit Lyonnais 1982 8pc	100	100½
DG Bank 1982 7 15/16pc	100½	100¾
GZB 1982 8 1/16pc	100½	100¾
Intl. Westminster 1984 8pc	99½	100
Lloyds 1983 7¾pc	100½	100¾
LTCB 1983 8pc	99½	100½
Midland 1982 8pc	100½	100¾
Midland 1987 8 9/16pc	99½	99¾
OKB 1983 7¾pc	99½	100½
SNCF 1985 8¾pc	99½	99¾
Std. and Chtrd. '84 7 11/16pc	99½	100½
Wms. and Glyn's '84 8 1/16pc	99½	100½

Source: White Weld Securities.

CONVERTIBLES	Bid	Offer
American Express 4¾pc '87	87	88½
Ashland 5pc 1988	93	94½
Babcock & Wilcox 6¾pc '97	103½	107½
Beatrice Foods 4¾pc 1992	97½	99
Beatrice Foods 4¾pc 1992	106	108
Beecham 6¾pc 1992	96½	97½
Borden 5pc 1992	100	101½
Broadway Hale 4¾pc 1987	77	78½
Carnation 4pc 1987	77	78½
Chevron 5pc 1988	130	131½
Dart 4¾pc 1987	80	81½
Eastman Kodak 4¾pc 1988	83½	85
Economic Labs. 4¾pc 1987	75	79½
Firestone 5pc 1988	52½	54
Ford 5pc 1988	87½	89
General Electric 4¾pc 1987	84	85½
Gillette 4¾pc 1987	74½	76
Gould 5pc 1987	113½	115
Gulf and Western 5pc 1988	84½	86
Harris 5pc 1992	172	174
Honeywell 6pc 1986	87½	89
ICI 6¾pc 1992	90½	91½
INA 6pc 1997	95½	97
Inchcape 6¾pc 1992	113	114½
ITT 4¾pc 1987	81	82½
Jusco 6pc 1992	111½	113
Komatsu 7¾pc 1990	125½	127½
J. Ray McDermott 4¾pc '87	172½	175½
Matsushita 6¾pc 1990	101½	103
Mitsui 7¾pc 1990	129	131
J. P. Morgan 4¾pc 1987	99½	101
Nabisco 5¾pc 1988	101	102½
Owens Illinois 4¾pc 1987	113	114½
J. C. Penney 4¾pc 1987	77½	79
Revlon 4¾pc 1987	116	117½
Reynolds Metals 5pc 1988	86	87½
Sandvik 6¾pc 1988	107	109
Sperry Rand 4¾pc 1987	92	93½
Squibb 4¾pc 1987	80	81½
Texaco 4¾pc 1988	50	51½
Toshiba 6¾pc 1992	124	125
Ty Co. 8pc 1984	76½	78
Union Carbide 4¾pc 1982	84	85½

Source: Kidder, Peabody Securities.

Mannesmann looking for major investment in U.S.

BY ADRIAN DICKS

BONN, May 30.

MANNESMANN, the major West German steel pipe plant and engineering group, is seeking opportunities for a major investment in the U.S.

This will probably be effected through an acquisition rather than a start-up venture, with Mannesmann particularly keen on breaking into the U.S. plant construction market.

Although the group, currently undergoing a patchy earnings recovery after last year's slide, has no firm candidates in mind, chairman Herr Egon Overbeck said it wanted to retain the flexibility to act fast if a favourable opportunity occurred.

Mannesmann sees its future in continued expansion abroad and diversification into new areas of activity, he told journalists in Dusseldorf.

As for further growth within West Germany, Herr Overbeck attacked the limitations imposed by the domestic cartel laws. This was a reference to Mannesmann's own thwarted takeover bid for Brueninghaus Hydraulik in an areas where its Rexroth subsidiary is already strong.

In an argument similar to that of Britain's GKN in its efforts to acquire Sachs, Herr Overbeck said the Cartel Office was considering the wrong market by judging the effects of takeovers on the national rather than the strictly more relevant international scale.

While experiencing improved, though still uneven earnings on most of its operations this year, Mannesmann is confident of holding its own in most markets, Herr Overbeck said. But competition had become severe for small-diameter pipe.

Last year, when average prices for pipe of all sorts had fallen by 10 per cent, there was a shift in Mannesmann's export markets. Sales to the European Community were down 10 per cent and those to Comecon countries by 41 per cent, thanks to the pattern of deliveries on long term contracts to the Soviet Union.

Exports to non-EEC European countries, led by Turkey, rose 88 per cent, those to North America by 54 per cent, to Latin America by 50 per cent and to Africa by 31 per cent. Sales to China remained stable, while those to the rest of Asia rose 54 per cent.

Exports of all products rose 5 per cent to account for DM 5.8bn out of total sales of DM 11.7bn ($5.5bn). Sales of overseas consolidated subsidiaries accounted for another DM 2.6bn. Neither figure changed substantially from the previous year's.

Bic plans move into stockings and boats

By David White

PARIS, May 30.

BARON MARCEL BICH, chairman and founder of Bic, the makers of throwaway pens, cigarette-lighters, and, more recently, razors, plans to add to the group's interests by incorporating some of his private shareholdings.

The interests involved are in Diroco, a holding company which brings together Dim-Rosy and Colroy, France's two leading makes of women's tights and stockings, Guy Laroche, an expensive men's outfitter, and Dufour, a boatbuilder. Boats are Baron Bich's second source of fame, since his yacht, "France," was twice entered for the America's Cup.

The Baron warned shareholders at the Bic annual meeting that they would have to "learn to take on financial risks." He moved into the companies when they were in financial difficulties, but hoped they would be on their feet before being transferred to the Bic group. He said he was looking for a way of transferring his shareholdings "under equitable conditions." The operation is expected to take place next year.

The Bic group, which includes Biro Bic of the U.K. and a number of other, mostly ballpoint pen-making subsidiaries and affiliates overseas, earlier reported a slightly lower net profit in 1977 of FFr 133.3m ($28.5m), compared with FFr 134.8m in 1976. Baron Bich said earnings were affected by the cost of launching disposable razors and strong Japanese pressure in the lighter market.

Consolidated sales were 11 per cent, up last year at FFr 1.95bn, and the same growth rate was registered in the first quarter of this year, when sales totalled FFr 512.5m against FFr 459.7m in the same period a year ago.

Schering sales rise

FOR THE current year Schering, the West German pharmaceuticals and chemicals group, expects sales to rise by between 4 per cent and 5 per cent after a poor first quarter. The report in Tuesday's editions that the company had lost money during the opening three months of 1978 was incorrect.

Spanish chemical groups criticise pricing policy

BY ROBERT GRAHAM

MADRID, May 30.

THE TWO leading chemical groups in Spain have complained about unrealistic government pricing policy leading to combined losses of around $28m.

Today shareholders of the Barcelona based Cros group, Spain's second largest chemical concern, demanded that their chairman raise the matter of fertiliser prices with the Minister of Industry. This followed the announcement of a Pta 1.15bn ($14m) loss in 1977 which the company attributed mainly to low fixed fertiliser prices.

These angry scenes come on top of the week end announcement from Spain's largest chemical group Union Explosivos Rio Tinto (ERT), that its profits growth in 1977 would have been more marked but for loss of Pta 1.2bn ($15m) in the fertilizer, pharmaceuticals and asphalt division caused by unrealistic government pricing policy.

The complaint of both groups appears to be that the government must carry out its commitment to liberalise the economy and can no longer follow its traditional interventionist approach to prices.

Sr Ignacio Herrero Garralda said that in the pharmaceutical sector the state social security system was buying 80 per cent of all production but the low purchase price was reducing profitability, so curbing the group's ability to invest and in turn paving the way for greater foreign penetration of the sector.

ERT, the result of a merger in 1970 between Union Espanola de Explosivos and Compania Espanola de Minas de Rio Tinto, still has a sufficiently diversified base to be able to absorb such market distortions. Cros, one fifth the size, is clearly more vulnerable. The ERT annual meeting was told that pre-tax group profits had increased by 15 per cent to Pta 2.5bn ($31m).

Group sales increased over 20 per cent to Pta 102.7bn ($1.28bn). With a 39 per cent share of the Spanish fertiliser market sales in this sector rose 30 per cent. The group's two main pharmaceutical subsidiaries, Cepa and Federico Bonet, also witnessed a sharp upturn in sales—31 per cent and 18 per cent respectively.

Meeting approves Kockums accounts

By John Walker

STOCKHOLM, May 30.

THE annual general meeting of Kockums, the only large privately owned shipyard in Sweden, has approved the 1977 accounts without comment. This follows the refusal by the company's auditors earlier this month to approve the 1977 accounts. They left the decision to be settled at the annual meeting.

The main question to be decided was whether the evaluation of the company's assets and the provisions for losses in the shareholders report were realistic.

At the same time the board announced that the chairman Mr. Lars Erik Thunholm—who is also chairman of the Skandinaviska Enskilda Bank—has resigned at his own request, a year earlier than expected. The yard's managing director Mr. Nils-Hugo Hallenborg now becomes chairman of Kockums. Deputy managing director Mr. Olafur Sirgudsson becomes managing director.

Kockums has a number of claims against shipowners and for outstanding payments. The claims will have to be written down by Kr 800m ($170m) and the part shares in ships by Kr 300m ($64m). Commenting on this situation, Mr. Hallenborg said that the company is "a going concern." Although Mr. Hallenborg is optimistic about the future he concedes that 1978 is going to show similar figures to those in 1977.

The company showed a pretax loss of Kr 65m for last year on sales virtually unchanged at Kr 2bn.

New head for ANIC

FORMER senior executive of the Montedison chemical conglomerate, Sig. Giuseppe Ratti, was appointed today chairman of the state-controlled ANIC chemical group, writes Paul Betts from Rome. Sig. Ratti takes over from Sig. Italo Ragni at a particularly difficult moment for the state concern and the entire chemical sector in Italy. ANIC reported losses of lire 189.7bn last year compared to losses of lire 44.6bn in 1976.

Krauss-Maffei sales growth

By Jonathan Carr

BONN, May 30.

DEFENCE contract work seems certain to assure another big increase in turnover this year and next at Krauss-Maffei, the engineering and armaments manufacturer which is owned by Buderus, part of the Flick group.

Orders in hand at present total around DM 3.4bn ($1.6bn) of which more than DM3bn involves defence work, notably the "Leopard" battle tank and the "Gepard" anti-aircraft tank.

Last year the company continued deliveries of the "Leopard I" to Denmark and Australia, and current orders will keep it busy on this model until mid-1979.

Deliveries of the "Gepard" began last year to the West German armed forces, Belgium and the Netherlands, and will continue at least to the end of 1980. Contracts for the highly advanced "Leopard 2" will also ensure work for Krauss-Maffei into the mid-1980s.

The strong emphasis on armaments tends to distort the annual sales picture. Last year, thanks to defence contracts in particular, turnover almost doubled to DM 1bn from DM 508m in 1976. A total of 40 per cent went to export against 48.5 per cent in 1976.

D-Mark hits Boehringer

BY GUY HAWTIN

FRANKFURT, May 30.

PHARMACEUTICAL GROUP C. H. Boehringer shared the fate of many other West German companies last year, seeing its worldwide sales buffeted by movements in foreign exchange rates. In Deutsche-Mark terms, world turnover rose a mere 3 per cent to DM 2.27bn ($1.08bn), and the 1978 outlook suggests further slow growth.

Lagging well behind the previous year's 9 per cent expansion, sales of pharmaceuticals alone, accounting for over three-quarters of the total, crept up by 2 per cent to DM 1.74bn. As a further sign of Boehringer's sluggish progress, the proportion of total sales achieved abroad fell from 70 per cent to 69 per cent, with a drop from 72 per cent to 71 per cent for pharmaceuticals.

In the first quarter of 1978, world sales only maintained last year's slow expansion rates. By the end of March, they were up 3 per cent at DM 618m. While turnover in the industrial and consumer products sectors fell back by 3 per cent, pharmaceutical sales rose by 6 per cent. It remains to be seen if this growth rate in the pharmaceutical sector can be maintained as it was spurred by a 12 per cent increase in domestic sales prompted, the groups says, by a hard winter.

Deutsche Babcock overseas aims

BY JOHN WICKS

ZURICH, May 30.

WEST GERMAN engineering concern Deutsche Babcock AG will continue to stress expansion on foreign markets "in order to attain satisfactory growth." In connection with the introduction of its shares to the stock exchanges of Zurich, Basle and Geneva, the company said efforts in this direction will be concentrated on the creation of joint venture undertakings and the setting up of new sales branches abroad.

For the current financial year, which ends on September 30, the group expects turnover of DM 3.9bn ($185m) compared with DM 3.21bn in 1976/77. Some 40 per cent of Deutsche Babcock's DM 250m share capital is currently held by foreign interests. Iran alone hold 25 per cent.

Increased profits from Zanussi

BY PAUL BETTS

ROME, May 30.

INDUSTRIE ZANUSSI, the parent company of Europe's biggest manufacturer of domestic appliances, reported today increased profits of L20.8bn ($24m) last year compared to L19.4bn the year before.

The company's turnover increased by 18.8 per cent to L528.6bn, while investments last year totalled L14.8bn, representing a 42.3 per cent increase on 1976.

The Zanussi group's overall consolidated turnover last year amounted to L727bn, or 22 per cent, higher than the year before.

Accumulated debts at the end of last year totalled L97.4bn, an increase of L64bn over the previous year mainly as a result of the need to finance investments, together with increases in stocks and customer credits, the company said. The total indebtedness, however, was entirely consolidated into the medium and long term.

The company recently bought back a 20 per cent minority shareholding interest held by the West German AEG-Telefunken concern.

Meanwhile, AP-DJ reports that Lancia, the Italian car maker controlled by Fiat, recorded a loss of L21.1bn ($24.2m) for 1977, considerably lower than the L5.6bn deficit of the previous year.

The 1977 loss will be fully covered through upvaluation of company interests, as allowed by Italian law. Sales amounted to L464bn in 1977, up from L450bn the previous year.

Lancia said it expected better results for 1978 on the basis of first quarter sales which showed a notable improvement from the previous year.

Tampella restores dividend with 5%

BY LANCE KEYWORTH

HELSINKI, May 30.

SHARPLY increased sales have returned Tampella to profits for 1977. The dividend is also restored with a payment of 5 per cent.

Net sales in 1977 rose by 28 per cent to Fmks 1.32bn. Consolidated invoicing was Fmks 1.5bn. In spite of the improvement, however, Tampella's annual report noted that "the result is still not satisfactory" and that the company will continue to concentrate on rationalisation, shedding unprofitable products and making selected investments that will improve profitability.

The turn-round last year was due largely to the engineering division which accounted for 38 per cent of sales. This was due to major long-term deliveries completed during the year. The paper and board division worked at around 80 per cent of capacity, the sawmills somewhat less. Textiles suffered from slack consumer demand.

The Tamrock (rock drilling) division, energy production and packaging divisions had a satisfactory year and improved their performance again.

Half-year decline at Danfoss

BY HILARY BARNES

COPENHAGEN, May 30.

FIRST HALF group sales for the Danfoss electronics and hydraulics group were Kr1.1bn ($192m), which was unchange from last year, the company reported. It added that earnings were lower than last year, but they were in line with a budgeted drop in earnings.

Sales in the second half-year are expected to stay at an unchanged level, and as stocks are still large at both Danish and overseas sales companies, no improvement in group employment can be foreseen, said the company.

Schindling in Swiss takeover

BY OUR OWN CORRESPONDENT

ZURICH, May 30.

THE IWC International Watch Company, of Schaffhausen, has been taken over by VDO Adolf Schindling, of Germany. The German company has acted through its Swiss subsidiary Instek AG, Zurich, which will hold a controlling stake in a newly-formed holding and operating company working under the same name of IWC International Watch. A minority shareholding is to remain with the Homberger family. A special real-estate company, H. E. Homburger AG, will be set up to restructure the company.

* * *

Natural gas producer Nicor Inc. of the U.S. is reported to be investigating the possibility of listing its shares on Swiss stock exchanges. The company is already listed in Amsterdam. As the parent company of Northern Illinois Gas, Nicor is the fifth biggest natural gas trading group in the U.S.

Condotte d'Acqua plans issue

ROME, May 30.

STATE-CONTROLLED public works company Condotte d'Acqua plans to raise capital to L24.5bn ($28m) from L7bn through the issue of new shares ranking for dividend from January 1, 1978.

The company said it will make a one-for-two free share issue and a two-for-one rights issue at par value of L250 plus L25 for costs.

Condotte d'Acqua is 82 per cent owned by state holding company IRI and its shares are quoted on the Milan bourse.

Condotte d'Acqua plans to launch a L14bn convertible bond issue next year, under which L1,000 bonds would each be convertible into four L250 shares.

The company said the increase in capital was made necessary by a sharp increase in its business since 1965, the date of its last capital increase. Net 1977 turnover was L442bn.

Plans for the concern to return to the private sector, under consideration as part of a project for the financial salvage of Generale Immobiliare Spa, were abandoned last year in the face of union opposition.

Reuter

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Downturn at Nissan Motor following rise in yen value

BY YOKO SHIBATA

TOKYO, May 30.

NISSAN MOTOR, manufacturers of Datsun cars, suffered a substantial reverse in profits for the year ended March 30 last despite an increase of 11 per cent in sales to Y2,246bn ($9.9bn).

Nissan's recurring profits fell by 9.8 per cent to Y138.45bn and net profit by 5.1 per cent to Y80.68bn ($355.4m), the fall primarily caused by the appreciation of the yen. Both recurring and net profits fell short of the estimates made in September 1977 by Y4.5bn and Y420m.

Supported by brisk exports, up 16 per cent to 1,308,416 vehicles, total car sales increased by 10 per cent to 2,383,622 vehicles. However, despite the company's efforts of marketing new models of Sunny or Skylines in the domestic market, domestic sales declined by 3.6 per cent to 1,075,2.6 vehicles.

The company raised fob prices five times during the year in order to cover exchange losses caused by the sharp rise in the yen—and the mark-ups of Datsun Cars were $4 to $5 higher than that of U.S. equivalent, but car exports to the U.S. still increased by 24 per cent to 530,000 vehicles. Exports to the UK totalled 110,000 vehicles, a gain of 33 per cent, while those to Saudi Arabia totalled 74,800. As a result, exports accounted for 54 per cent of total sales, compared with 49 per cent in the previous year.

In profit performance, Nissan failed to adjust its exchange rate swiftly to the sharp rising yen value, which generated an accounting loss of Y93bn on foreign exchange fluctuations.

For the current fiscal year, the company estimates production at 2.40m vehicles against 2.35m last year. Sales are expected to rise from 2.38m vehicles to 2.45m, with domestic sales improving from 1.07m to 1.20m vehicles, but exports declining from 1.31m to 1.12m vehicles.

Sales are estimated to reach Y2,350bn, a gain of 5 per cent, but recurring profits are likely to fall 2.2 per cent to Y135bn and net profits by 7 per cent to Y75bn.

The company plans to pay a special dividend of Y2 per share for the year, in addition to the ordinary Y10 dividend to celebrate its 45th anniversary.

Sasebo to get emergency loan

A JAPANESE banking consortium has agreed to supply an emergency loan of about Y500m to Sasebo Heavy Industries for its end-month settlements, according to the company, Reuter reports from Tokyo.

The loan follows an emergency request made by the Finance Ministry to help the company over its end-month difficulties in paying short-term debts to banks out of total debts of about Y120bn. Earlier today, the Prime Minister, Mr. Takeo Fukuda asked the Transport and Finance minister to expedite efforts to save Sasebo.

The company will face another crisis next Monday when debts totalling Y2bn fall due, although the Government, the company's management, shareholders and creditors are continuing efforts to salvage the shipyard, he said.

JAPANESE COMPANIES' RESULTS FOR YEAR TO MARCH 31

Company	Business	Net profit 1978 Ybn	Net profit 1977 Ybn	Sales 1978 Ybn	Sales 1977 Ybn
IHI	Heavy industry, shipbuilding	5.73	11.72	763.45	696.17
Hitachi Sshipbuilding	Heavy industry, shipbuilding	4.82	5.23	345.00	332.42
Mitsui Engineering	Heavy industry, shipbuilding	2.44	8.01	297.00	295.51
Kawasaki Kisen	Shipping	0.07	0.04	256.45	256.27
Mitsui O.S.K.	Shipping	3.03	3.03	380.46	381.86
Nippon Yusen	Shipping	2.96	2.99	407.56	432.26
Yamashita-Shinnihon SS	Shipping	1.17	1.20	160.82	180.36
Nippon Steel	Steel	15.85	20.77	2,330	2,510
Nissan Motor	Motor	80.68	85.29	2,250	2,020
Daiwa House Ind.	Construction	3.52	5.21	168.12	196.11
Ohbayashi-Gumi	Construction	4.86	6.23	515.08	426.64
Sharp Corp.	Electrical	7.45	5.76	300.78	285.05
Toshiba	Electrical	13.92	13.08	1,606	964.3
Fujisash Ind.	Metal products	−25.16	0.14	72.16	78.04
Fujisash Sales	Commerce	−16.48	− 0.24	94.53	92.56
Minolta Camera	Precision machinery	2.1	1.5	70.5	52.9
Tokyo Gas	Electric power & gas	14.35	9.92	420.01	383.67
Kanematsu-Gosho	Trading	0.56	0.34	2,160	2,330
Sumitomo Shoji Kaisha	Trading	7.36	7.54	5,800	5,820
Mitsui Real Estate	Property	4.01	3.53	114.03	102.05
Bank of Tokyo	Banking	9.03	9.96	—	—
Tokyo Broadcasting	Broadcasting	3.96	3.93	76.64	68.10

Sharp fall in profits at Nippon Steel

TOKYO, May 30.

NIPPON STEEL Corporation, the world's largest steel producer, has announced a fall of 44.9 per cent in its net profit in the year to March 31, to Y15.85bn ($70m) from Y28.77bn in the previous year. It said that the performance resulted from a decline in crude steel production and a fall in the domestic steel price associated with low economic activity.

The dividend for the year totalled Y3, after the elimination of the mid-year payment, compared with Y5 in the prior year. Net profit per share fell to Y2.46, from Y4.46. Sales decreased 7.2 per cent to Y2.33 trillion (million million) from Y2.506 trillion.

"We expect that the worst is over," the company said, but declined to give a forecast for the current year or for the first half. However, the domestic market and the export market, it was said, remained tight. Plant utilisation had fallen below 70 per cent.

Crude steel production last year fell 2.7m tons to 31.65m tons, and the value of exports to Y135.3bn, or by 18 per cent, to Y733.599bn.

The company's profit before tax and special items was reduced to Y7.23bn from Y59.04bn.

After special account profit of Y17.38bn, against Y15.18bn, the year before, it paid Y4.86bn into reserve accounts, compared with Y25.46bn. Tax amounted to Y4bn, against Y20bn.

Three medium sized Japanese steelmakers, all affiliated with Nippon Steel, have signed a merger agreement under which Osaka Steel Company will absorb Daitetsu Steel Industrial Company and Yamato Steel Works on October 1, Osaka Steel announced.

The new company will be capitalised at Y910m, with annual steel goods production capacity of 435,000 tonnes and sales estimated at Y28bn a year.

The merger is aimed at easing losses registered by Daitetsu and Yamato as a result of the protracted business slump. Daitetsu has accumulated losses of Y9bn and Yamato of Y2.8bn.

Agencies

Chloride Oldham dividend raised by 3 cents a share

BY RICHARD ROLFE

JOHANNESBURG, May 30.

RESULTS FROM Chloride Oldham, controlled by Chloride UK, show a modest rise in turnover which clothes useful gains in volume and market penetration, and have apparently encouraged the Board to declare a higher dividend on reduced profits. The turnover improvement over the year to March 31 was from R28.1m to R30.3m ($34.9m), an 8 per cent gain against the background of an average 7 per cent increase in selling prices. But with the battery market shrinking, Chloride Oldham has gained in market share.

Pre-tax profits fell from R3.7m to R3.6m ($4.1m) with margins contracting from 13.1 to 11.8 per cent, but earnings per share were shielded by lower tax, reflecting export allowances and capital expenditure, and rose from 53 cents to 62 cents.

The dividend was raised from 20 cents to 23 cents and the shares, a strong market recently, now stand at 310 cents to yield 7.4 per cent.

The dividend has been paid out of the previous year's retained earnings, in a move to minimize tax paid by the UK parent which is liable for the difference between the local rate and that in the UK. This is a one-off benefit, as the current year dividend will be paid out of current earnings in the normal way. The South African group's dividend contributes about 7 per cent to the parent's total profits.

The clue to the high-than-expected dividend increase seems to be recent trading, which has been strong in the past two months on higher car sales. In addition, early reactions to the new maintenance-free battery have been encouraging. On the rating, improved results are expected in the current year.

Encouraging half-year for KLK

BY WONG SULONG

KUALA LUMPUR, May 30.

KUALA Lumpur Kepong, the giant Malaysian plantation group, says there is now "an even chance" that it might be able to repeat last year's record pre-tax profits of 45.4m ringgits (U.S.$18.9m) for the current year despite some earlier conservative estimates.

The renewed confidence that the group will now do much better than had earlier been anticipated is reinforced by the currently rising prices for oil palm and the encouraging set of results for its half year ending in March.

It was only in April that KLK, in its prospectus accompanying the issue of 15m shares to Malays, had projected that profits for the current financial year would be around 30m ringgits. As it turned out, pre-tax profits for the first half of the year were already 17.67m ringgits.

Although this was only marginally better than the comparable period the previous year, the results are encouraging when viewed in the context of declining prices of oil palm during the period and lower production owing to the drought.

The directors have described the results as "better than anticipated." Three reasons were given: significantly higher oil palm prices during the later months; a substantial increase in investment income from 1.65m to 3.85m ringgits; and lower interest charges.

Despite a 12 per cent increase in matured oil palm acreage, output fell by 6 per cent to 101,800 tonnes because of substantially lower yields.

The decline in rubber yields was less sharp, but because of a slower expansion in the acreage, output of rubber fell by 11 per cent to 8.53m kilos.

The group managed to receive an average of 1,024 ringgits per tonne for its palm oil, which was 39 ringgits lower than prices obtained during the comparable period last year, but was higher than the group's earlier forecast of 1,000 ringgits.

The same applied to prices for rubber, which fetched 213 cents per kilo, while the group had earlier expected prices to fall below the 200-cent mark.

KLK says its total planted area as at March stood at 35,320 hectares, comprising 14,637 hectares of matured oil palm and 10,456 hectares of mature rubber, with the remaining area immature.

Wardley resigns on new takeover code

BY ANTHONY ROWLEY

HONG KONG, May 30.

IN STRICT adherence to the new code on takeovers and mergers published here last week, Wardley, the merchant banking arm of the Hongkong and Shanghai Banking Corporation, has resigned as adviser to shareholders in a deal with which the Hong Kong bank is indirectly connected.

The deal involves Jardine Matheson and Company's offer to buy out the minority shareholders of its subsidiary, Jardine Industries. Wardley, which was to advise the minority shareholders, has resigned after discussion with the Securities Commissioner here "because of the investment of the Hongkong and Shanghai Bank in Jardine Matheson." Schroders and Chartered, the merchant bank, has agreed to act in place of Wardley.

One section of the new takeover and merger code says: "The committee (on takeovers and mergers) would not normally regard as an appropriate person to give competent, independent advice a person who has a substantial connection, financial or otherwise, with the offeror or offeree company of a kind likely to create a conflict of interest."

* * *

CONSOLIDATED net profit for the City Hotels Group for 1978 are expected to rise to about HK$22.22m (U.S.$4.76m), Reuter reports from Hong Kong. This compares with HK$18.64m in 1977, City Hotels forecasts in a statement. Hong Kong Land announced on April 29 it was offering HK$40 a share cash for the 47.4 per cent of City Hotel's 6.6m HK$5 nominal shares it did not already own.

Shareholders will also receive a HK$2 1978 interim dividend.

Israeli bank going public

BY L. DANIEL

TEL AVIV, May 30.

THE Israel General Bank—acquired in 1965 by a group headed and controlled by Baron Edmond de Rothschild—is now going public for the first time. It intends to raise I£50m ($2.89m) on the Tel Aviv Stock Exchange by the issue of shares to a nominal value of I£11m and capital notes to a nominal value of I£26m, with each unit to consist of two shares and three capital notes.

Employees of the bank can acquire a fixed amount in units consisting of one share and one capital note. The prospectus for the proposed issue has been submitted to the Securities Authority, the Finance Ministry and the Tel Aviv Stock Exchange for their approval.

This advertisement contains particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information to the public with regard to C. D. Bramall Limited ("the Company"). The directors collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Copies of this advertisement have been delivered to the Registrar of Companies for registration, each copy having attached to it a copy of the consents mentioned below, a copy of the statement setting out the adjustments made by the joint reporting accountants for the purposes of their joint report and giving the reasons for them, a copy of each of the material contracts listed below and a copy of the placing letter.

Application has been made to the Council of The Stock Exchange for the whole of the issued ordinary share capital of the Company to be admitted to the Official List.

C.D.Bramall Limited

(Incorporated in England under the Companies Acts 1948 to 1976 and registered No. 1346994)

Ford Main Dealers

Share Capital

Authorised		Issued and fully paid
£1,750,000	in ordinary shares of 25p each	£1,275,000

Indebtedness

At the close of business on 12th May, 1978, the Company and its subsidiaries had a secured mortgage of £18,500 and other secured loans of £907,482. Save as disclosed herein and apart from inter-company indebtedness, neither the Company nor any of its subsidiaries had outstanding at that date any loan capital, mortgages or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, or guarantees or other material contingent liabilities.

Placing by

Barclays Merchant Bank Limited

of 1,333,000 ordinary shares of 25p each at 75p per share

The ordinary shares now being placed rank in full for all dividends hereafter declared or paid on the issued ordinary share capital of the Company.

Directors
Douglas Charles Antony Bramall, F.C.A.,
(Chairman),
Norwood House, Norwood, Otley, North Yorkshire LS21 2QU
Trevor Allison,
6 Oak Place, Tong Park, Baildon, West Yorkshire BD17 7QJ
Keith Fearnley Siddall, F.C.A.,
23 Scotland Way, Horsforth, Leeds LS18 5SQ
Robert Michael Picking,
Radleigh, Well Lane, Rawdon, Leeds LS19 6DU

Bankers
Barclays Bank Limited,
2 Middlewood Road, Hillsborough, Sheffield S6 4GY

Stockbrokers
Hedderwick Stirling Grumbar & Co.,
No. 1 Moorgate, London EC2R 6AA
and The Stock Exchange

Solicitors to the Company
Ralph C. Yablon, Temple-Milnes & Carr,
Bridge House, 24 Sunbridge Road, Bradford BD1 2AD

Solicitors to the Placing
Nabarro Nathanson,
211 Piccadilly, London W1A 4SA

Auditors and Joint Reporting Accountants
Touche Ross & Co., *Chartered accountants,*
3 London Wall Buildings, London EC2M 5PH

Joint Reporting Accountants
Firth Parish & Co., *Chartered accountants,*
5 Eldon Place, Bradford BD1 3AU

Secretary and Registered Office
Keith Fearnley Siddall, F.C.A.,
146/148 Tong Street, Bradford BD4 9PR

Registrars and Transfer Office
Barclays Bank (London and International) Limited,
Radbroke Hall, Knutsford, Cheshire WA16 9EU

LETTER FROM THE CHAIRMAN

The following is a copy of a letter to Barclays Merchant Bank Limited from Mr. D. C. A. Bramall, Chairman of the Company:—

The Directors,
Barclays Merchant Bank Limited,
Dashwood House,
69 Old Broad Street,
London EC2P 2EE

146/148 Tong Street,
Bradford BD4 9PR

30th May, 1978

Gentlemen,

In connection with the placing of 1,333,000 ordinary shares of 25p each in C. D. Bramall Limited ("the Company"), I am writing to provide you with information regarding the Company and its subsidiaries ("the Group").

History

My father, Charles Douglas Bramall, started in business in the motor trade in 1926 in Sheffield. Initially his business was the repair of vehicles but soon included the sale of cars and commercial vehicles and he acquired his first Ford retail dealership in 1934.

The present business was established by my father in 1957 with the incorporation of Hamilton and Bramall Motors Limited which was granted a Ford Main Dealership for the southern half of Bradford. The name of this company was changed to C. D. Bramall (Bradford) *Limited ("Bradford") in 1967. My father continued as an active chairman of Bradford until his* retirement in 1968.

Bradford's original premises consisted of a showroom and offices at Croft Street, Bradford *and a workshop and service department at Parkside Road, Bradford. In 1968 the main activities* were transferred to new premises on the freehold site at Tong Street which remain the head office of the Group. The expansion of the business necessitated the transfer of the truck *activities in 1974 to purpose-built freehold premises at Cutler Heights Lane, Bradford.*

In 1969 Hobsons of Shipley Limited ("Hobsons") was acquired and a further acquisition was made in 1974 with the purchase of The Warrington Motor Company Limited ("Warrington"). *Both Hobsons and Warrington are Ford Main Dealers.*

The contract hire activities were started by Bradford in 1961 and are now carried on from the Tong Street premises by subsidiaries. In 1973 the Group entered the field of hire purchase *through Progress Finance* Company Limited which also operates from Tong Street.

The Company was incorporated as a private company on 9th January, 1978 to act as a holding company for the Group. On 30th May, 1978 the Company acquired the whole of the issued *share capital of Bradford by an exchange of shares.*

Business

The Group trades as Ford Main Dealers in cars, vans, trucks and tractors. Each of its four *principal sites is equipped with comprehensive sales, service and parts facilities and each pro-*vides self-drive hire vehicles. The Group also operates contract hire companies and a hire purchase finance company.

The turnover and profit before taxation of these activities for the year ended 31st December, 1977 were as follows:—

	Turnover	*Profit before taxation*
	£'000	*£'000*
Ford Main Dealerships	16,414	859
Contract hire	1,142	225
Hire purchase	102	40
	£17,658	£1,124

Bradford is the Ford Main Dealer for cars and vans for the southern half of Bradford and for trucks for the whole of Bradford and the surrounding area. These operations accounted for 41 *per cent. of the turnover of the Group for the year ended 31st December, 1977.*

The car and van dealership is operated from the principal Bradford premises on a 2.7 acre main road site at Tong Street, Bradford. These premises also house the head office of the Group, *new car showrooms, service workshops,* a parts department and a petrol forecourt. The body repair shop and pre-delivery inspection premises are located nearby at Parkside Road.

Bradford's truck activities are located on a 3.6 acre site at Cutler Heights Lane *where modern purpose-built premises provide a truck* showroom, an extensive repair workshop, a parts department, vehicle storage area and offices. Negotiations are in progress for the purchase of an adjoining 2.1 acre site to be used for further vehicle storage.

Hobsons is the Ford Main Dealer for cars and vans for Shipley and Bingley. Its premises in Shipley include car showrooms, service and repair workshops, a parts department, offices and two petrol forecourts. Hobsons *accounted for 12 per cent.* of the turnover of the Group for the year ended 31st December, 1977.

Warrington is the Ford Main Dealer for cars and vans and for trucks for the Warrington area *and for tractors for the south of Lancashire and the north of Cheshire. It also holds agencies for* other agricultural equipment. On the 5.5 acre site at Warrington, there are separate facilities which include showrooms, service and repair workshops and parts departments for cars and *vans, for trucks and for tractors. Warrington accounted for 40 per cent.* of the turnover of the Group for the year ended 31st December, 1977.

Bradford, Hobsons and Warrington each have separate agreements with Ford Motor *Company Limited ("Ford") for their main dealerships. These agreements, each for a term of five* years, expired on 31st December, 1977 and, in view of discussions between Ford and the European Economic Commission concerning Ford's dealer franchises generally, were extended *for one year until 31st December, 1978 in common with the agreements of other Ford main* dealers. Ford have informed the Company that the agreements, subject to the usual conditions, will be renewed as from 1st January, 1979 for a period and on terms similar to those granted to Ford's dealer network as a whole.

C. D. Bramall (Contract Hire) Limited and C. D. Bramall (Leasing) Limited provide a rental service enabling customers, including several large fleet users, to lease cars and commercial vehicles on a with or without maintenance basis for periods up to three years. A major part of the finance for these companies is provided by the block discounting of rental agreements with leading finance houses.

Progress Finance Company Limited is principally engaged in the business of vehicle hire purchase for Group customers.

Management and staff

Directors

I am aged 42 and have been a director of Bradford since 1957. Having qualified as a chartered accountant, I became a full-time executive of the Group in 1963. *On the retirement of* my father in 1968, I became chairman and managing director of Bradford. I have since relinquished the managing directorship of Bradford but remain chairman. I am also chairman of each of the other subsidiaries in the Group and in particular retain direct responsibility *for* Warrington.

Mr. Trevor *Allison* is aged 46 and joined the Group in 1965 as sales director of Bradford. He has had over 20 years experience in the motor trade and has been Group sales director since 1969.

Mr. Keith Siddall is aged 46 and is a chartered accountant. He joined the Group in 1969 and became deputy managing director of Bradford in 1975. He is now joint managing director of Bradford with responsibility for its car and van division. He is also secretary of the Company.

Mr. Robert Picking is aged 35 and joined the Group in 1972 having already spent 8 years in the commercial vehicle trade. He was appointed a director of Bradford in 1977 and is now joint managing director of Bradford with responsibility for its truck division.

Senior Management

The directors are supported by an experienced and well-motivated team of executives including the following:—

Mr. Graham Simpson is aged 39 and joined the Group in 1972 after 7 years with another Ford dealer. He is now managing director of Hobsons.

Mr. Donald Banks is aged 51 and had been employed in the agricultural equipment trade *in the south of England before joining Warrington in 1968. He is the director of Warrington* responsible for its tractor and agricultural equipment division.

Mr. Brian Leahy, A.C.M.A., is aged 38 and is the director of Warrington responsible for *finance and administration. He joined the Group in 1974 from Ford.*

Mr. Henry Dean, B.Sc., is aged 42 and is managing director of Progress Finance Company Limited. He has been in the hire purchase industry for 19 years and joined the Group in 1975 from *Mercantile Credit Company Limited.*

Mr. Stuart Kitching is aged 27. He has been with the Group since 1974 and is the general manager of the contract hire companies.

Mr. Anthony Murphy is aged 39 and is the general manager of Warrington. He has been with Warrington since 1975 and had previously spent 16 years in the motor trade.

Employees

The Group has approximately 430 employees and labour relations are excellent. In addition to the basic wage or salary structure the Group operates a number of bonus and commission arrangements. The Group also offers to selected employees the opportunity to participate in a staff car leasing scheme.

The Group operates contributory pension schemes for full time employees which are funded through the Royal Insurance Company Limited and are contracted out schemes under *the Social Security Pensions Act 1975.*

Premises

The Group's properties were valued as at 31st March, 1978 by Eddisons, chartered surveyors. Details of the properties and the valuation are set out in Appendix II.

Working capital

The directors are of the opinion that, taking into account available bank facilities, the Group has adequate working capital for its present requirements.

Profits and prospects

As shown in the joint accountants' report in Appendix I, the turnover of the Group has risen during the five years to 31st December, 1977 from £4,935,000 to £17,658,000 and the Group profit before taxation has increased from £279,000 to £1,124,000.

The growth in turnover and profit stems from the introduction of new and improved *facilities, in particular the truck facilities at Bradford opened in 1974, and increased utilisation of* existing facilities. The Group's expansion in the field of contract hire and the acquisition of Warrington in 1974 and its subsequent revitalisation have also contributed significantly to *this growth.*

Unaudited management accounts for the three months ended 31st March, 1978 show Group profit before taxation of £366,000 compared with £287,000 in the comparable period *of 1977.*

The directors consider that it is too early to forecast the results for the full year to 31st December, 1978 but they are confident of the Group's ability, with the excellent range of Ford *products available, to take full advantage of the current favourable conditions in the United* Kingdom motor vehicle market.

In the light of their success with Hobsons and Warrington the directors intend to continue *their policy of acquisition of suitable businesses as and when opportunities arise.*

The directors view the long term future of the Group with confidence based on the proven management ability within the Group and the Group's excellent relationship with Ford.

Dividends

In the absence of unforeseen circumstances, it is the intention of the directors to declare an interim dividend of 1.75p per share *(payable in or about November 1978) and to recommend a* final dividend of 2.75p per share (payable in or about May 1979) in respect of the year ending 31st December, 1978. The total dividends will, together with the associated tax credits assuming a basic rate of income tax of 34 per cent., *provide a gross equivalent of 6.82p per share. If the rate* of associated tax credit is altered before these dividends are declared, it is the intention of the *directors to adjust the dividends so as to maintain the gross equivalent of 6.82p per share.*

If the proposed dividends had been paid in respect of the year ended 31st December, 1977 then, on the basis of the rate of associated tax credit assumed above, the allocation of profit *before taxation would have been as follows:—*

	£
Group profit before taxation	1,124,000
Less: corporation tax (See note)	146,000
Earnings attributable to shareholders (Equivalent to 19.18p per share)	978,000
Cost of dividends	229,500
Retained earnings	£748,500

Note: Corporation tax charged takes account of available allowances and also of advance corporation tax related to the above dividends.

These dividends would have been covered 4.26 times by earnings attributable to shareholders shown above and 2.35 times by earnings on a fully taxed basis.

At the placing price of 75p per share the gross dividend yield on the basis of dividends of 4.5p per share is 9.09 per cent. and the price earnings ratio on the basis of the earnings shown above is 3.91. On a fully taxed basis, earnings per share would be 10.58p and the price earnings ratio would be 7.09.

Yours faithfully,
D. C. A. Bramall
(Chairman)

APPENDIX I

Accountants' report

The following is a copy of a joint report by Touche Ross & Co., *chartered accountants, the auditors to the* Company and Firth Parish & Co., chartered accountants:—

The Directors,
C. D. Bramall Limited
and
Barclays Merchant Bank Limited

3 London Wall Buildings,
London EC2M 5PH

5 Eldon Place,
Bradford BD1 3AU

30th May, 1978

Gentlemen,

1. We have examined the audited accounts of C. D. Bramall (Bradford) Limited ("Bradford") and its subsidiaries *for the five years ended 31st December, 1977. Bradford* and its subsidiaries are collectively referred to as "the Group". On 30th May, 1978, Bradford became a wholly-owned subsidiary of C. D. Bramall Limited.

2. All the subsidiaries have been wholly-owned throughout the relevant accounting periods except for The Warrington *Motor Company Limited and its subsidiary,* Warrington Tractors Limited ("Warrington Group"). Firth Parish Kidsons acted as auditors of the Group throughout the relevant accounting periods, except for Warrington Group of *which they were appointed auditors* with effect from 1st January, 1974. *Firth Parish & Co.* are a successor firm to Firth Parish Kidsons as from 1st May, 1973.

3. The information set out below is based on the audited accounts of the Group after making such adjustments as we consider appropriate. *These accounts have been prepared* under the historical cost convention including the revaluation of freehold and leasehold land and buildings and in accordance with current Accounting Standards. In our opinion the information gives, *on the basis of the accounting convention stated above, a true and fair* view of the profits and source and application of funds of the Group for the five years ended 31st December, 1977 and of the state of *affairs of the Group at 31st December in each of the years 1972 to 1977 and of* Bradford at 31st December, 1977.

4. **Profit and loss accounts**

The turnover and profits of the Group for each *of the five years ended 31st December, 1977 are as follows:—*

	Note	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
		Years to 31st December				
Turnover	2	4,935	8,005	9,280	14,163	17,858
Cost of sales (other than items detailed below)		4,414	7,312	8,343	12,863	15,881
Depreciation	1	187	221	279	383	529
Bank and loan interest		55	136	92	137	124
Profit before taxation		279	336	566	780	1,124
Taxation	3	98	(11)	140	62	146
Profit after taxation retained	4	181	347	426	718	978
Earnings per share	5	*3.55p*	*6.80p*	*8.35p*	*14.08p*	*19.18p*

5. **Balance sheets**

The balance sheets of the Group at 31st December in each of the years 1972 to 1977 and of Bradford at 31st December, 1977 are as follows:—

Bradford 31st December 1977 £'000		Note	*The Group* 31st December 1972 £'000	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
	Current assets							
803	Stocks	6	238	256	667	686	1,326	1,944
223	Stock deposits	7	207	88	307	330	193	456
535	Debtors		114	193	319	329	612	635
—	Hire purchase debtors		27	50	52	51	109	144
1	Cash balances		1	1	1	2	2	3
528	Amounts due from subsidiaries		—	—	—	—	—	—
2,040			585	588	1,346	1,398	2,242	3,382
	Current liabilities							
776	Bank overdraft	8	178	186	549	229	392	776
335	Creditors		109	121	555	587	892	910
12	Taxation		1	111	104	217	106	61
19	Loans	11	320	257	357	352	464	590
502	Amounts due to subsidiaries		—	—	—	—	—	—
1,644			608	675	1,565	1,385	1,854	2,337
396	**Net current assets (liabilities)**		(23)	(87)	(219)	13	388	1,045
670	**Fixed assets**	9	748	840	1,536	1,755	2,080	2,803
—	**Deferred assets**	10	20	37	39	38	147	143
2,296	**Investments in subsidiaries** (at net asset value)	13	—	—	—	—	—	—
3,362			745	890	1,356	1,806	2,615	3,991
	Deduct:							
29	Deferred taxation	1	53	43	94	96	188	293
—	Deferred liabilities	11	233	207	223	245	227	365
3,333	**Net tangible assets**		459	640	1,039	1,465	2,200	3,333
	Represented by							
43	Share capital		43	43	43	43	43	43
3,290	Reserves	12	416	597	996	1,422	2,157	3,290
3,333	**Shareholders' funds**		459	640	1,039	1,465	2,200	3,333

APPOINTMENTS

Chairman to be president of Brown & Root (UK)

Sir Philip Southwell will become president of BROWN AND ROOT (UK) on June 1. **Mr. B. E. Stallworth** becomes chairman and managing director. Sir Philip, who was the founder chairman, remains on the board. The company is a subsidiary of Brown and Root Inc., of the U.S., itself a Halliburton company, oil industry engineers.

*

Mr. Roger Trigell has been appointed marketing director of ROADLINE UK from its N.F.C. associate, the B.R.S. Group with whom, for the past six years, he had been responsible for the development and management of transport consultancy and distribution services.

*

Mr. Roy Seamark has left the Fine Fare Group and is joining the board of MORGAN EDWARDS, food distributors, on June 5 as managing director and joint executive. He is also joining the board of AVONMILES, the company through which Mr Alistair Grant and Mr. David Webster, with the support of Noble Grossart, recently acquired a 29.5 per cent interest in the share capital of Morgan Edwards. Mr. Seamark was a main board director of Fine Fare, responsible for the grocery group's superstore operation.

*

E. B. SAVORY MILLN AND CO., stockbrokers, announce the retirement of Mr. A. S. Taylor with effect from July 21. Mr Taylor will be leaving to pursue business interests outside The Stock Exchange.

*

Mr. Philip Beetham has been elected president of the NATIONAL ASSOCIATION OF SOFT DRINKS MANUFACTURERS, succeeding Mr. R. Stothert. Mr. Beetham, managing director of White Bros. (Derby), has been in the soft drinks industry since 1959. About 80 per cent of soft drinks makers in the U.K. are represented by NASIM, ranging from large national and international companies to the local family businesses, of which White Bros. is one.

*

KUWAIT INSURANCE COMPANY announce that, following the retirement of Mr. Shakib S. Shakhshir, Mr. Mahmoud S. Ghunaim has been appointed general manager of the company. He has been general secretary of the company and deputy general manager. Mr. Tariq A. Said, managing director of the Falcon Reinsurance Company, has been appointed as an adviser to the company on major insurance and reinsurance matters, in addition to his responsibilities with the "Falcon Re."

*

Mr. David Lightle has been appointed technical director of NEI REYROLLE, a Hebburn (Tyne and Wear) company which specialises in the design and manufacture of electrical switchgear.

*

Mr. R. P. Bennie has been appointed joint managing director of CENTRE-FILE, National Westminster Bank's computer bureau subsidiary, with effect from June 1. He has been London West End (Central) area manager of the bank since 1974.

*

Mr. Georgio Massobrio has been made vice-president of CANADIAN MET-CHEM CONSULTANTS, a subsidiary of United States Steel. Before joining the company last year he was executive vice-president and a director of Italsider, the Italian steel company. He will operate from Met-Chem's headquarters in Montreal.

*

Mr. Edward Marsh, a director of Taylor Woodrow Property Company, has been appointed chairman of the WESTMINSTER CHAMBER OF COMMERCE, third largest in the country.

*

Mr. A. F. G. Bowen, director in charge of the Liverpool office, becomes deputy managing director of EASTERN LINER SERVICES on June 1.

*

Mr. John D. Wright has been appointed managing director of LOMOUNT CONSTRUCTION, open-cast coal mining contractor, following the acquisition of Lomount Construction by SGB Group. Mr. Wright is a director of Contractors' Services Group the plant hire division of SGB Group.

*

ELECTRA INVESTMENT TRUST, an Electra House company, announces that its chairman, **Mr. A. F. Roger**, intends to retire in July, but will remain a director. **Mr. B. P. Jenks** has been elected chairman of the board with effect from the conclusion of the company's annual meeting in July.

*

Mr. Jonathan M. Turnbull has been appointed a director of TURNBULL SCOTT SHIPPING COMPANY.

*

Mr. Arthur Andrews, for 40 years chairman of the MENTMORE MANUFACTURING COMPANY (maker of Platignum pens), has retired from the board, but remains a consultant.

*

From June 1 **Mr. P. G. Williams** will succeed **Mr. E. B. Spencer** as chairman of the Backer Electric Company, Rotherham, manufacturer of domestic and industrial electric heating elements.

*

CHAMBERLIN AND HILL, ironfounders, announce that **Mr. J. Robert Eades** has joined the board as a non-executive director.

*

RAMBUTAN announces that **Mr. Patrick Cavanna** is retiring, by mutual agreement, as managing director at the end of May, but will continue as consultant for several months after that.

HOME CONTRACTS

Order for British Aerospace

CHANGING THE windscreens of 45 swing-wing F-111 fighter-bombers based at Lakenheath, Suffolk, and replacing the pyrotechnic ejection system with other maintenance tasks on a further 19 aircraft, is to be undertaken by BRITISH AEROSPACE, Filton, under a £1m contract with the U.S. Air Force.

Once this programme is properly established British Aerospace expects more contracts to follow—the hope is that this contract could lead to further maintenance work to occupy some at least of the workers at the Filton complex where the last of the British-built Concordes is nearing completion.

POLYSIUS has received a £4.8m order to act as main contractor for a hot metal de-sulphuring and de-slagging plant at the Scunthorpe Works of the British Steel Corporation. The company will be responsible for the overall design, procurement, installation and commissioning. The plant will incorporate two desulphurising stations with integral de-slagging. Hot metal will be treated in transfer ladles of 300 ton capacity. Desulphurisation will be achieved by the injection of calcium carbide based reagents.

ALEX ROBERTSON AND CO. (ELECTRICAL) (a Haden Carrier Group company) has been awarded a £2.43m modernisation contract covering 536 houses at Carnwadric for the Glasgow District Council. Work has started.

*

WCB-CLARES, of Wells, has won its biggest order, worth over £1m, to supply roll pallets on which the goods sold in one of Britain's largest supermarket chains will be stacked and moved in warehouse and store.

*

London Midland Region of British Rail has placed 17 contracts worth a total of £930,000, for a variety of electrical, building and civil engineering work, ranging from construction of bridges to cleaning Birmingham station.

*

Skateopia, in conjunction with the stately home of Knebworth Park and Hi-Point Developments, have placed a £47,000 subcontract for the construction of a skate board park, associated drainwork, fences and a spectator area, with the Hythe-based civil engineering contractor TRANT.

*

RACAL-MILGO has a £75,000 order from Allied Bakeries for data communications equipment to be used in a new business management network, operated by the company's computer bureau centred at Liverpool. The network consists of 46 bakeries and will deal with ordering, production and charging of bread and confectionery to many wholesale outlets and the company's own retail shops.

*

Welsh-based companies predominate among contracts issued on behalf of Pembroke Cracking Company (PCC), the partnership formed by Gulf and Texaco to construct a fluid catalytic cracking unit and related facilities at Pembroke. Work has started on all the contracts, which total £864,000. The companies are all sub-contracted to the main contractor, Snamprogetti.

*

Roadstone (part of the Cement Roadstone Holdings group) will take delivery of four 50-ton capacity off-highway dump trucks next month, for all rock hauling operations in the Belgard limestone quarry near Dublin. Valued at more than £½m these AVELING-BARFORD Centaur machines will be used to carry material from the rock face down gradients to a primary crushing plant at the rate of 1,000 tons/hr.

C. D. Bramall Limited (continued)

6. Accounting policies and notes to profit and loss accounts and balance sheets

(1) The principal accounting policies used in the preparation of the financial information set out in this report are as follows:—

Basis of consolidation

The accounts of Bradford and its subsidiaries have been made up to 31st December in each year. The Group accounts include the results, assets and liabilities of Bradford and all its subsidiaries for the relevant accounting periods.

Deferred taxation

In accordance with the principles contained in Exposure Draft 19 of the Accounting Standards Committee, the Group have now adopted the policy of providing for deferred taxation only to the extent that it is expected to fall due for payment in the foreseeable future. The Group continues to provide for deferred taxation using the liability method in respect of some of the capital allowances and other timing differences. Had the deferred taxation continued to be provided on contract hire vehicles and stock appreciation relief a further provision of £1,318,000 would have been required at 31st December, 1977.

Depreciation

Depreciation has not been charged in respect of freehold properties. The provision for depreciation is calculated so as to write off the cost of the fixed assets over their expected useful lives. The rate of depreciation used by the Group, applied on a straight line basis, are:—

Leasehold property – equally over the periods of the respective leases.
Hire vehicles – at rates varying between 24% and 36% per annum.
Plant, furniture and fittings – at rates varying between 10% and 12½% per annum.
Motor vehicles – 25% per annum.
Equipment for leasing – at rates varying between 20% and 33⅓% per annum.

In accordance with Statement of Standard Accounting Practice 12 depreciation will be charged at a rate of 2 per cent. per annum on freehold buildings with effect from 1st January, 1978. On the buildings currently owned by the Group the charge in a full year would amount to £9,410.

Stocks

New vehicles are valued at cost. Second hand vehicles are valued at the lower of cost and net realisable trade prices. Parts and consumable stores are valued at cost less an allowance for slow moving and obsolete items.

(2) Turnover represents total sales to third parties (inclusive of excise duties but exclusive of purchase, value added and car taxes) with rental income from vehicle hire and leasing and hire purchase interest received.

(3) Taxation is based on the reported profits at the relevant corporation tax rates and comprises:—

	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
	Years to 31st December				
Current taxation	108	(15)	138	(30)	41
Deferred taxation	(10)	4	2	92	105
	98	(11)	140	62	146

(4) No dividends have been paid by Bradford throughout the five year period ended 31st December, 1977.

(5) Earnings per share have been calculated throughout on the ordinary shares of C. D. Bramall Limited in issue immediately after the placing and on the retained profit of Bradford for the year after taxation.

(6) Stocks comprise the following:—

Bradford 31st December 1977 £'000		The Group 31st December 1972 £'000	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
741	New and second hand vehicles	160	175	485	458	1,029	1,591
162	Parts and consumable stores	76	81	182	228	297	353
903		236	256	667	686	1,326	1,944

(7) Stock deposits represent deposits paid to Ford Motor Company Limited for vehicles held on consignment.

(8) The bank overdraft is secured by first charges on certain freehold and leasehold properties.

(9) Fixed assets are stated at cost or valuation less accumulated depreciation as follows:—

Bradford 31st December 1977 £'000		The Group 31st December 1972 £'000	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
	Freehold property						
608	Valuation	—	—	18	—	—	622
—	Cost	198	379	818	472	472	—
—	Depreciation	—	—	—	—	—	—
608	Net book value	198	379	836	472	472	622
	Leasehold property						
—	Valuation	—	—	170	170	170	328
—	Cost	66	66	66	88	68	—
—	Depreciation	(4)	(4)	(5)	(6)	(12)	—
—	Net book value	62	62	231	252	226	328
	Hire vehicles						
—	Cost	624	665	890	1,220	1,619	2,089
—	Depreciation	(166)	(234)	(240)	(315)	(425)	(536)
—	Net book value	458	461	650	905	1,194	1,553
	Plant, furniture & fittings						
71	Cost	58	62	153	157	175	184
(55)	Depreciation	(44)	(49)	(75)	(89)	(100)	(114)
16	Net book value	14	13	78	68	75	70
	Motor vehicles						
68	Cost	24	46	92	115	119	157
(25)	Depreciation	(3)	(11)	(51)	(37)	(40)	(48)
43	Net book value	16	35	41	78	79	109
	Equipment for leasing						
—	Cost	—	—	—	—	36	142
—	Depreciation	—	—	—	—	(2)	(21)
—	Net book value	—	—	—	—	34	121
	Total						
142	Cost	870	1,238	1,719	2,032	2,459	2,572
608	Valuation	—	—	188	170	170	950
(80)	Depreciation	(222)	(298)	(271)	(447)	(579)	(719)
670	Net book value	748	940	1,636	1,755	2,050	2,803

The freehold and leasehold properties were revalued on the basis of open market value for existing use as at 31st March, 1978 by Eddisons, chartered surveyors [illegible] at 31st December, 1977 would not have been [illegible] Eddisons have [illegible] as at 31st December, 1977 [illegible] no difference [illegible] has been made [illegible] properties [illegible] at their revalued amounts and which is estimated at [illegible] for the Group and £45,000 for Bradford.

(10) The deferred assets relate to instalments from hire purchase debtors receivable more than 12 months after each year end.

(11) Loans (repayable on demand or by instalments due before 31st December, 1978):—

	Bradford 31st December 1977 £'000	The Group 31st December 1977 £'000
Secured		
Loans from finance companies bearing interest between 3.6% and 4% above finance house base rate	—	502
Unsecured		
Loan repayable on demand and bearing interest at 10% per annum	19	19
Loan repayable on demand and bearing interest at 6% per annum	—	48
Loan repayable on demand and bearing interest between 1% and 2% above finance house base rate	—	20
	19	590

Deferred liabilities (repayable after 1st January, 1979):—

	Bradford 31st December 1977 £'000	The Group 31st December 1977 £'000
Secured		
Loans from finance companies bearing interest between 3.6% and 4% above finance house base rate	—	346
Loan repayable at the rate of £2,000 per annum interest free	—	19
	—	365

(12) The reserves comprise:—

Bradford 31st December 1977 £'000		The Group 31st December 1972 £'000	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
224	Non-distributable	—	—	52	52	69	224
3,066	Distributable	416	597	944	1,370	2,088	3,066
3,290		416	597	996	1,422	2,157	3,290

(13) At 31st December, 1977 no provision had been made by Bradford for any capital gains tax liability which would arise if the subsidiary companies were disposed of at their revalued figure; this contingent liability is estimated at £525,000. Neither Bradford nor the Group had any other contingent liabilities at that date other than as disclosed in note (9).

(14) Capital commitments at 31st December, 1977 were:—

	Bradford	The Group
Contracted for but not provided in the accounts	Nil	Nil
Authorised but not contracted	£45,000	£45,000

(15) At 31st December, 1977 Bradford was a close company within the provisions of the Income and Corporation Taxes Act 1970.

7. Source and application of funds

The consolidated statements of the source and application of funds of the Group are set out below:—

	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
Funds generated from operations					
Profit before taxation	279	336	566	780	1,124
Depreciation	187	221	279	363	529
(Profits) on sales of fixed assets	(18)	(22)	(54)	(84)	(136)
Funds generated from operations	448	535	791	1,059	1,517
Funds from other sources					
Proceeds from sales of fixed assets	156	265	251	368	533
Increase in loans (deferred)	—	10	22	—	138
Decrease in hire purchase debtors (deferred)	—	—	1	—	4
Taxation repaid	—	11	—	—	—
Surplus arising on purchase of subsidiaries	—	52	—	17	—
Source of funds	604	860	1,065	1,452	2,192
Application of funds					
Taxation paid	—	—	(26)	(84)	(84)
Purchases of fixed assets	(515)	(683)	(694)	(977)	(1,496)
Decrease in loans (deferred)	(26)	—	—	(18)	—
Increase in hire purchase debtors (deferred)	(17)	(2)	—	(109)	—
Purchase of subsidiary	—	(324)	—	—	—
Increase/(decrease) in working capital	46	(139)	345	264	612
Being:					
Increase in stocks	20	411	19	640	618
Increase/(decrease) in stock deposits	(119)	219	23	(137)	263
Increase in debtors	79	126	10	283	223
Increase, (decrease) in hire purchase debtors (current)	23	2	(1)	56	35
Increase in cash balances	—	—	1	—	1
(Increase)/decrease in bank overdraft	(8)	(363)	320	(163)	(284)
(Increase) in creditors	(12)	(434)	(32)	(206)	(18)
(Increase)/decrease in loans (current)	63	(100)	5	(112)	(126)
	46	(139)	345	264	612

8. C. D. Bramall Limited has not traded and no audited accounts have been prepared since its incorporation. No audited accounts of Bradford or any of its subsidiaries have been made up for any period subsequent to 31st December, 1977.

Yours faithfully,
Touche Ross & Co.
Chartered accountants

Firth Parish & Co.
Chartered accountants

APPENDIX II

Property valuation

The following is a copy of a valuation of the Group's freehold and leasehold properties which has been received from Eddisons, chartered surveyors:—

The Directors,
C. D. Bramall Limited,
146-148 Tong Street,
Bradford BD4 9PR

Argus Chambers,
Broadway,
Bradford BD1 1HH

30th May, 1978

Gentlemen,

In accordance with your instructions we have pleasure in confirming our valuations of the freehold and leasehold properties which are occupied by C. D. Bramall Limited and its subsidiaries ("the Group").

We have carried out inspections of the properties set out in the schedule below and have made relevant local enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the Group's properties, which is on the basis of open market value for existing use as at the 31st March, 1978. In our opinion the value of the Group's properties would have been no different as at 31st December, 1977.

In arriving at our valuations we have not made any allowance or taken into account any potential taxation liability on the Group under development land tax or capital gains tax legislation. We have not included any fixed or leased garage plant or equipment. We have not taken into account any mortgages, financial arrangements or hire purchase contracts which may exist.

The usual planning enquiries have been made of the local authorities in whose areas the properties are located and we have relied upon information given to us verbally by such authorities.

In our opinion the total market value of the Group's properties, as set out in the schedule below, is £950,500 (nine hundred and fifty thousand five hundred pounds).

Yours faithfully,
Eddisons
Chartered surveyors

	Property	Description	Approximate site area in acres	Approximate area of buildings in square feet	Value as at 31st March, 1978
1	146-148 Tong Street, Bradford	Freehold showroom, workshop, stores, offices, petrol forecourt and vehicle display and storage areas.	2.70	45,519	£310,000
2	Cutler Heights Lane, Bradford	Freehold showroom, workshop, stores, offices and vehicle storage area.	3.60	28,152	£245,000
3	Parkside Road, Bradford	Freehold workshop.	0.70	33,490	£52,500
4	Raymond Street, Bradford	Vehicle storage area held on periodic tenancy (negotiations are in hand to lease this area for a five year term).	0.35	—	Nil
5	Mount Place, Shipley	Freehold workshop.	0.13	4,895	£15,000
6	Mount Place, Shipley	Leasehold vehicle storage area. The lease is for a term of five years from 1st February, 1976 at a fixed annual rental of £275.	0.05	—	Nil
7	4 Saltaire Road, Shipley	Leasehold showroom, workshop and vehicle display area. The lease is for a term of 96 years from 1st September, 1963 at a fixed annual rental of £1,000.	0.35	6,902	£55,000
8	2 Saltaire Road, Shipley	Leasehold showroom, stores, petrol forecourt and vehicle display area. The lease is for a term of 99 years from 1st September, 1960 at a fixed annual rental of £475.	0.31	6,791	£53,000
9	Shipley Service Station, Saltaire Road, Shipley	Leasehold petrol forecourt and vehicle display area. The 3 year lease at a fixed annual rental of £2,900 expired on 1st April 1978 and negotiations are in hand for its renewal.	0.30	1,150	Nil
10	Dallam Lane/Crown Street, Warrington	Leasehold showroom, workshops, offices and vehicle display and storage areas held under three separate leases for a term of 75 years from 6th July, 1972 with rent reviews at the 15th year and thereafter every 7 years. The current total annual rental is £13,570.	5.00	90,553	£220,000
11	Owen Street, Warrington	Leasehold vehicle storage area. The lease is for a term expiring on 31st January, 1979 at a fixed annual rental of £830.	0.50	—	Nil

APPENDIX III

Statutory and general information

1. Share capital

(i) The Company was incorporated as a private company on 9th January, 1978 with an authorised capital of £100 divided into 100 shares of £1 each, of which only the 2 subscribers' shares were issued.

On 30th May, 1978 resolutions were passed at an extraordinary general meeting whereby (a) each of the 100 shares of £1 in the Company was sub-divided into 4 ordinary shares of 25p each, and (b) the authorised capital of the Company was increased from £100 to £10,000 by the creation of 39,600 ordinary shares of 25p each.

Immediately following the meeting (a) a total of 680 ordinary shares of 25p each (including the subscribers' shares) were allotted or transferred for cash at par as follows:—D. C. A. Bramall, 320 shares; K. Kaye, P. Brook and D. C. A. Bramall (jointly), 200 shares; Tivoli (Mont Millais) Limited, 80 shares; Guernsey Investments Limited, 80 shares; and (b) a total of 16,320 ordinary shares of 25p each were allotted, credited as fully paid, to the holders of the whole of the issued share capital of Bradford in exchange for their shares in that company pursuant to contract 5 (a) below.

On the same day, resolutions were passed at a further extraordinary general meeting whereby (a) the authorised capital of the Company was increased from £10,000 to £1,750,000 by the creation of a further 6,960,000 ordinary shares of 25p each; (b) 5,083,000 ordinary shares of 25p each were issued, credited as fully paid, to and amongst the then shareholders in the Company by way of capitalisation of part of the share premium account; and (c) the Company was converted into a public company, for which purpose new Articles of Association were adopted.

(ii) Save as disclosed herein:—

(a) no share or loan capital of the Company or of any of its subsidiaries has been issued within the two years immediately preceding the date of this document or is proposed to be issued, fully or partly paid either for cash or for a consideration other than cash;

(b) no commissions, discounts, brokerages or other special terms have been granted by the Company or by any of its subsidiaries within the said two years in connection with the issue or sale of any share or loan capital of such companies; and

(c) no share or loan capital of the Company or of any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

(iii) No material issue of shares of the Company (other than to shareholders *pro rata* to their existing shareholdings) will be made within one year of the date of this document without prior approval of the Company in general meeting.

(iv) No issue of shares which would effectively alter the control of the Company or the nature of its business will be made without prior approval of the Company in general meeting.

2. Subsidiaries

The Company has the following subsidiaries all of which are wholly-owned private companies incorporated in England:—

Subsidiary	Date of incorporation	Issued share capital
C. D. Bramall (Bradford) Limited	17th May, 1957	4[illegible]
C. D. Bramall (Contract Hire) Limited	26th June, 1958	1,0[illegible]
Hobsons of Shipley Limited	8th August, 1966	40,00[illegible]
The Warrington Motor Company Limited	4th April, 1919	60,075
C. D. Bramall (Leasing) Limited	5th November, 1971	100
Progress Finance Company Limited	7th January, 1958	100
Warrington Tractors Limited (*dormant*)	5th December, 1961	100

3. Contract with Barclays Merchant Bank Limited

Under contract 5(b) below, Barclays Merchant Bank Limited has agreed, subject to the whole of the issued share capital of the Company being admitted to the Official List by the Council of The Stock Exchange not later than 9th June, 1978 (i) to purchase at 75p per share from Mr. D. C. A. Bramall a total of 1,333,000 ordinary shares of 25p each in the Company, being 26.1 per cent. of the issued share capital; and (ii) to place all those shares at the same price. The contract provides, *inter alia*, that the Company will pay the expenses of (and incidental to) the application for the issued share capital to be admitted to the Official List (including the costs of printing, advertising this document and all accountancy, valuation and legal expenses) and a fee to Barclays Merchant Bank Limited out of which it will pay a fee to the stockbrokers.

4. Articles of Association

The new Articles of Association of the Company, referred to above, contain provisions (*inter alia*) to the following effect:—

(i) On a show of hands every member present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for each share of which he is the holder.

(ii) Subject to certain exceptions conforming to Stock Exchange requirements, a director shall not vote or be counted in the quorum on any resolution of the board in respect of any contract or arrangement or other proposal whatsoever in which he is materially interested or concerning his own appointment as the holder of any office or employment under the Company or any other company in which the Company is interested.

(iii) The ordinary remuneration of the directors shall from time to time be determined by the Company in general meeting. A director may hold any other office or place of profit under the Company (except that of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the directors may determine. Any director may act by himself or his firm may act in a professional capacity for the Company (otherwise than as auditor) and shall be entitled to remuneration therefor.

(iv) Any director may continue to be or become a director, officer, servant or member of any other company in which the Company may be interested and (unless otherwise agreed) no such director shall be accountable for any remuneration or other benefits received by him as a director, officer, servant or member of any such other company. The directors may exercise the voting powers conferred by the shares in any other company held or owned by the Company, or exercisable by them as directors of such other company, in such manner in all respects as they think fit.

(v) The directors may establish and maintain or procure the establishment and maintenance of any non-contributory or contributory pension or superannuation or death, disablement, sickness or other benefit funds for the benefit of, and give or procure the giving of donations, gratuities, pensions, allowances or emoluments to any persons who are or were at any time directors or officers of the Company or of any subsidiary of the Company and holding any employment or office in the Company or any subsidiary of the Company and the wives, widows, families and dependants of any such persons.

(vi) The aggregate borrowings by the Group (excluding inter-group borrowings) shall not without the previous sanction of the Company in general meeting exceed an amount equal to twice the aggregate of the amount of the paid up share capital of the Company and the consolidated capital and revenue reserves (as defined).

(vii) There is no age limit for the retirement of directors.

5. Material contracts

The following contracts have been entered into by the Company or its subsidiaries, otherwise than in the ordinary course of business, during the two years preceding the date of this document and are, or may be, material:—

(a) Dated 30th May, 1978 between (1) the Company and (2) Mr. D. C. A. Bramall and others by which the Company acquired the whole of the issued share capital of Bradford for the issue and allotment credited as fully paid of a total of 16,320 ordinary shares of 25p in the Company.

(b) Dated 30th May, 1978 between (1) Mr. D. C. A. Bramall (2) the directors of the Company (3) the Company and (4) Barclays Merchant Bank Limited, being the contract referred to in paragraph 3 above.

6. Directors' and other interests

(i) Immediately following the completion of this placing, the directors and their immediate families will be interested in 3,191,700 shares of the Company representing approximately 62.5 per cent. of the issued share capital as specified below:—

Director	Ordinary shares Beneficial	Non-beneficial
D. C. A. Bramall	1,682,000	1,500,000
T. Allison	6,700	Nil
K. F. Siddall	2,000	Nil
R. M. Picking	1,000	Nil

(ii) Immediately following the completion of this placing Tivoli (Mont Millais) Limited will hold 600,000 shares representing approximately 11.8% of the issued share capital. Save as disclosed herein the directors are not aware of any holding which, immediately following the completion of this placing, will represent 5 per cent. or more of the issued share capital of the Company.

(iii) On 30th May, 1978 each of the directors of the Company entered into a full-time service agreement with the Company for a term expiring on 31st December, 1981. Under those agreements Mr. D. C. A. Bramall receives a minimum annual salary of £12,000 and a commission of ½ per cent. on the first £1.5 million of Group profit before taxation and of 1 per cent. on such profit in excess of £1.5 million; Mr. T. Allison, Mr. K. F. Siddall and Mr. R. M. Picking each receive a minimum annual salary and bonus totalling £10,000 in the current year, rising to £12,000 in the third year.

(iv) The aggregate emoluments of the directors of Bradford, including pension contributions amounted to £53,045 for the year ended 31st December, 1977 and under the arrangements now in force for the current year are estimated to be a minimum of £42,000 excluding any commission payable to Mr. D. C. A. Bramall.

(v) Save as disclosed herein, no director has or has had any material interest, direct or indirect, in any assets which within two years of the date of this document have been, or are proposed to be, acquired or disposed of by or leased to the Company or any of its subsidiaries.

(vi) There is no contract or arrangement subsisting at the date of this document in which a director of the Company is materially interested and which is significant in relation to the business of the Company and its subsidiaries taken as a whole.

(vii) Mr. Philip Brook, a partner in Firth Parish & Co., is a trustee of a Bramall family trust which holds shares in the Company.

7. General information

(i) Shortfall and apportionment clearances have been obtained for all relevant accounting periods to 31st December, 1977. Under the contract referred to in paragraph 5 (b) above Mr. D. C. A. Bramall has agreed to indemnify the Company in respect of any depletion of the Company's and its subsidiaries' assets by reason of certain liabilities for taxation, capital transfer tax and estate duty. Clearance under Section 464 of the Income and Corporation Taxes Act 1970 has been obtained in respect of the Company's acquisition of Bradford and in connection with this placing.

(ii) The directors have been advised that following this placing the Company will be a close company.

(iii) So far as the directors of the Company are aware, there is no material litigation or any claim of material importance pending or threatened against the Company or any of its subsidiaries.

(iv) The total expenses payable in respect of this placing and application for a Stock Exchange listing are estimated to be £104,000 exclusive of value added tax and are payable by the Company.

(v) Touche Ross & Co. and Firth Parish & Co. have given and not withdrawn their respective written consents to the issue of this document with the inclusion therein of their report and names in the form and context in which they appear.

(vi) Eddisons have given and not withdrawn their written consent to the issue of this document with the inclusion therein of their valuation and name in the form and context in which they appear.

(vii) No proceeds in respect of the sale of the shares now being placed are to be received by the Company.

8. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Barclays Merchant Bank Limited, Dashwood House, 69 Old Broad Street, London EC2P 2EE and Ralph C. Yablon, Temple-Milnes & Carr, Bridge House, 24 Sunbridge Road, Bradford BD1 2AD during usual business hours on weekdays (Saturdays and public holidays excepted) for the period of fourteen days from the date of this document:—

(i) the Memorandum and Articles of Association of the Company;
(ii) the audited consolidated accounts of Bradford and each of its subsidiaries for the two financial years ended 31st December, 1977;
(iii) the joint accountants' report and statement of adjustments;
(iv) the valuation by Eddisons of the Group's freehold and leasehold premises;
(v) the material contracts referred to above;
(vi) the service agreements referred to above; and
(vii) the written consents of Touche Ross & Co., Firth Parish & Co. and Eddisons referred to above.

Dated 30th May, 1978.

Copies of this advertisement may be obtained from:—

Barclays Merchant Bank Limited,
Dashwood House,
69 Old Broad Street,
London EC2P 2EE

Hedderwick Stirling Grumbar & Co.,
No. 1 Moorgate,
London EC2R 6AA

Ralph C. Yablon, Temple-Milnes & Carr,
Bridge House,
24 Sunbridge Road,
Bradford BD1 2AD

Barclays Bank Limited,
Fitzalan Square,
14 Commercial Street,
Sheffield S1 1NG

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Initial loss reversed—net 2.5 gain

NEW YORK, May 30.

BY OUR WALL STREET CORRESPONDENT

RETURNING FROM the long holiday weekend, Wall Street remained in easier mood for most of the day in relatively quiet trading before staging a late improvement to close firmer on balance.

The Dow Jones Industrial Average, having sustained a reaction of 15 points last week on inflation and rising interest rates worries, further retreated to $26.40 before rebounding to $34.20 for a gain of 2.31 on the day. The NYSE All Common Index ended 16 cents up at $54.30, after a day's low of $54.03, while gains finally led losses by 748 to 631. Turnover came to 21.04m shares, compared with last Friday's total of 21.41m.

A number of analysts said the late firming resulted from speculation that the April consumer price index figures, due tomorrow, would not be as bad as Wall Street had first expected after comments last week by Administration officials. The index rose at a 9.6 per cent annual rate in March.

Analysts ascribed little significance to the market's early fresh weakness because of the slack volume. A number of banks and businesses were closed today for Memorial Day, inhibiting stock market activity, as opposed to Wall Street's closure yesterday in observance of this holiday.

In the economic news, Kuwait's Oil Minister said an oil price increase will be discussed during the OPEC meeting next month, but Saudi Arabia's Oil Minister said the Saudis believe the price of oil will remain the same through 1978.

United Nuclear fell 2 to $27⅞—the Supreme Court said General Atomic has a right to seek arbitration in Federal Courts for its dispute with United. General is a joint venture of Gulf Oil and the Royal Dutch/Shell group. Gulf were unchanged at $23⅞.

Globe-Union added 1⅛ at $39—Johnson Controls, down 2⅜ at $30, has acquired an option from UV Industries to buy 1m Globe shares at $ each and has proposed a merger with Globe. Square D, which had offered $37.25 a share for Globe, slipped ⅛ to $24⅞, while UV put on ⅛ to $21⅞.

THE AMERICAN SE Market Value Index finished 0.09 higher on balance at 144.39 after volume of 3.05m shares (3.26m).

OTHER MARKETS

GERMANY — Stocks further advanced across a broad front, buoyed by news that negotiations will soon begin to end Swiss-German double taxation. Brokers said there was a rush of foreign buying, especially from Switzerland, and the Commerzbank index moved ahead 4.1 to 777.4.

Motors firmed strongly, with Volkswagen gaining DM 7, while Deutsche advanced DM 4.10 in the Bank leaders. Siemens, in Electricals, rose DM 1.30, and KHD put on DM 2.40 in Heavy Engineerings.

In Steels, Mannesmann strengthened DM 3.20 after announcing a measure of confidence about this year's results.

Public Authority Bonds, weak of late, managed a mixed performance yesterday, recording gains ranging to 25 pfennigs and losses to 20 pfennigs. The regulating Authorities reduced their intervention to purchases of DM 3m nominal of stock, after buying DM 67m on Monday.

PARIS—Bourse prices continued to strengthen in active trading. Brokers cited the firmness of the French franc on the foreign exchange market and the removal of controls on industrial prices in France as helpful factors. Investors having ignored the raising of the Call Money rate to 7⅜ from 7¼ per cent and the 1.1 per cent rise in the April retail price index.

Gains ranged as high as 11 per cent, the most prominently firmer issues including Poclain, Denain, Cie du Nord, Ciments Francais, Nouvelles Galeries, Chiers, DBA, Lefebvre, Dollfus Mieg and Imetal.

AMSTERDAM—Market gained further ground, with Elsevier adding 3.8 at Fl 284.0 and KLM 2 at Fl 188.0, while HVA put on Fl 4.

TOKYO—Market displayed an easier bias in limited trading.

Investors mostly refrained from buying as Fujisash Industries and Fujisashi Sales faced heavy selling pressure after the lifting of Monday's suspension of dealings. The stock exchange had instigated the trading halt following a local Press report that the two concerns had covered up losses in financial statements. Fujisash Industries fell Y30 to Y61 and Fujisashi Sales also Y30 to Y26.

Public Works shares, Chemicals, Machines, and Pharmaceuticals lost ground on sporadic liquidations.

Export-orientated issues fell initially, reflecting the fresh yen appreciation in Tokyo, but some subsequently advanced on late buying by Investment Trusts, with Toyota Motor closing Y14 up at Y965. TDK Electronics Y50 higher at Y2,000 and Sony Y10 firmer at Y1,770.

CANADA—A firmer tendency was apparent yesterday in active trading conditions. The Toronto Composite Index gained 1.2 at 1,123.2, while Golds featured strongly with an advance of 23.6 to 1,403.0. Metals and Minerals rose 8.1 to 986.3 and Utilities 0.51 to 173.13, but Banks contrasted with a fall of 2.08 to 271.08.

Massey-Ferguson shed ⅛ to $12⅛ on a second-quarter loss.

AUSTRALIA—Markets were quieter in trading because of the UK bank holiday, but after an easier start, fresh stocks were inclined to make fresh progress to close higher on balance.

Among Oil Shale speculatives, Central Pacific was finally 20 cents stronger at A$9, but Southern Pacific lost 10 cents to $A3.10.

In the Uranium sector, Kathleen Investments advanced 5 cents to $A2.18, as did Peko-Wallsend to A$5.62. Oakbridge added 6 cents at A$1.75 in Coals, but Northern Mining, a diamond exploration favourite, came back 3 cents to A$1.80 after Monday's 18 cents rise.

BHP moved ahead 6 cents to A$7.08, while Bank of NSW gained 8 cents at A$6.04. CSR put on 5 cents to A$3.05 ahead of the interim results, helped by news that the Queensland Government has agreed to a sugar price rise proposal.

HONG KONG—Stocks reverted to a firmer course yesterday in moderate activity, the Hang Seng index rising 5.00 to 469.31.

Jardine Matheson advanced 20 cents to HK$13.20, Hong Kong Bank 10 cents to HK$15.50, Swire Pacific also 10 cents to HK$6.40 and Hutchison Whampoa 7½ cents to HK$4.575. Hong Kong Land and Wheelock gained 5 cents apiece to HK$7.80 and HK$2.525 respectively.

Among second-liners, China Light, HK$22.70, and Hong Kong Hotels, HK$14.80, each climbed 20 cents.

JOHANNESBURG — The majority of gold shares were modestly firmer on the higher Bullion price. Business volume was fairly low, trade having been limited by the strength of the Securities Rand.

Mining Financials were generally around previous levels, but Amgold lost 90 cents to R28.80.

TUESDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Arlen Realty	437,500	7½	[illegible]
Bendix Consol	410,000	4	[illegible]
Squibb	277,100	27¾	−1⅛
Bally	245,300	[illegible]	[illegible]
J. Ray McDermott	226,700	[illegible]	[illegible]
Reliance	203,200	[illegible]	[illegible]
Cleveland El.	149,200	[illegible]	[illegible]
Telex	147,800	[illegible]	[illegible]
Teledyne	125,[illegible]	45⅛	[illegible]
Boeing	118,[illegible]	[illegible]	[illegible]

Indices

NEW YORK - DOW JONES

	May 30	May 26	May 25	May 24	May 23	May 22	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
Industrials	854.20	851.88	856.41	857.82	843.28	855.42	858.57 (17/5)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bonds*	88.14	88.18	88.25	88.19	88.31	88.51	89.46 (4/1)	88.14 (30/5)	—	—
Transport	224.09	225.70	224.14	224.65	227.60	231.50	231.50 (22/5)	199.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	104.87	104.47	104.55	104.05	104.56	104.67	110.98 (3/1)	102.84 (22/2)	165.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	21,040	21,410	28,410	31,450	33,250	23,700	—	—	—	—

*Basis of index changed from August 24

	May 26	May 19	May 12	Year ago (approx.)
Ind. div. yield %	5.59	5.46	5.51	4.87

STANDARD AND POORS

	May 30	May 26	May 25	May 24	May 23	May 22	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
‡Industrials	107.08	106.76	107.05	107.58	108.47	109.70	110.31 (17/5)	98.64 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
‡Composite	96.86	95.38	96.80	97.08	98.05	99.08	99.60 (17/5)	86.90 (6/3)	125.45 (11/1/73)	4.40 (1/6/32)

	May 17	May 10	May 3	Year ago (approx.)
Ind. div. yield %	4.85	5.04	5.02	4.54
Ind. P/E Ratio	9.55	9.16	9.18	10.57
Long Govt. Bond yield	8.42	8.45	8.49	7.72

N.Y.S.E. ALL COMMON

May 30	May 26	May 25	May 24	1978 High	1978 Low
54.30	54.14	54.24	54.38	55.68 (17.5)	48.37 (6.3)

Rises and Falls	May 30	May 26	May 25
Issues traded	1,852	1,870	1,906
Rises	748	588	648
Falls	651	829	806
Unchanged	[illegible]	453	452
New Highs	41	39	10
New Lows	39	62	52

MONTREAL

	May 30	May 29	May 26	May 25	1978 High	1978 Low
Industrial	188.95	180.74	188.88	181.71	185.61 (23/5)	162.50 (18/2)
Combined	190.07	190.01	189.97	190.65	192.86 (23/5)	170.82 (30/1)

TORONTO						
Composite	1125.2	1122.0	1122.5	1125.4	1166.5 (25/5)	998.2 (30/1)

JOHANNESBURG						
Gold	212.4	210.6	210.7	211.6	218.7 (1/2)	188.0 (20/4)
Industrials	225.0	225.7	224.8	224.9	225.8 (30/5)	184.8 (13/3)

	May 30	Previous	1978 High	1978 Low
Australia (†)	501.05	499.73	501.05 (30/5)	441.19 (1/3)
Belgium (‡)	95.66	95.53	101.16 (8/3)	95.45 (25/5)
Denmark (**)	96.11	96.09	98.16 (9/1)	94.00 (6/2)
France (††)	71.2	70.0	71.2 (30/5)	47.5 (3/2)
Germany (‡‡)	777.4	773.3	812.1 (10/1)	769.4 (17/3)
Holland (§§)	85.1	84.8	86.1 (30/5)	76.6 (4/4)
Hong Kong (§§§)	469.31	464.31	471.14 (24/5)	383.44 (13/1)
Italy (‖)	(c)	62.97	64.23 (22/3)	55.40 (10/1)
Japan (a)	407.07	407.21	415.11 (18/4)	364.04 (4/10)
Singapore (b)	318.40	318.71	316.71 (29/5)	282.0 (17/1)
Spain (d)	103.41	—	110.76 (8/5)	97.62 (17/3)
Sweden (e)	369.93	370.66	397.89 (15/5)	325.74 (3/1)
Switzerl'd (f)	290.8	291.2	323.7 (14/2)	279.0 (25/4)

Indices and base dates (all base values 100 except NYSE All Common — 50; Standards and Poors — 10 and Toronto 300-1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (†) Sydney All Ord. (‡) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73. (††) Paris Bourse 1961. (‡‡) Commerzbank Dec., 1953. (§§) Amsterdam, Industrial 1970. (§§§) Hang Seng Bank 31/7/64. (‖) Milan 2/1/73. (a) Tokyo New SE 4/1/68. (b) Straits Times 1966. (c) Closed. (d) Madrid SE 30/12/77. (e) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp. (u) Unavailable.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.

◆ DM50 denom. unless otherwise stated: yields based on net dividends plus tax. ♥ Ptas 500 denom. unless otherwise stated. ♣ Kr 100 denom. unless otherwise stated. ♦ Frs.500 denom. and Bearer shares unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. $ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. ‡ Traded. § Seller. ¶ Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

Dollar easier

The U.S. dollar was generally weaker in quiet trading in the foreign exchange market yesterday. Expectations of a continuing trade balance in favour of Japan led to a rise of the yen against the dollar. It finished at Y222.95 compared with Y225.50 on Friday while the Swiss franc was also firm, closing at SwFr 1.9240 in terms of the dollar, compared with SwFr 1.9510 before the weekend.

The German D-mark improved to DM 2.1100 against the dollar from DM 2.1312½ on Friday.

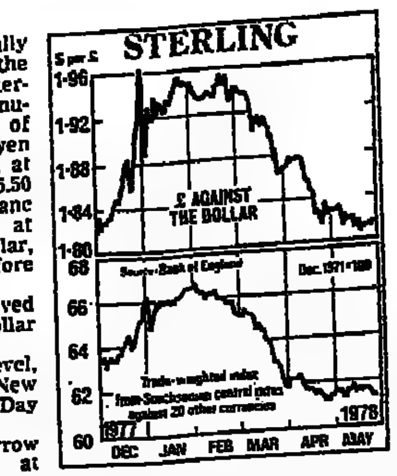
Trading was at a low level, influenced by the closure of New York banks for the Memorial Day holiday.

Sterling traded within a narrow range against the dollar, at $1.8150-1.8200. It opened at $1.8160-1.8170, and touched a best level of $1.8195-1.8200, before closing at $1.8180-1.8190, a rise of 60 points from Friday.

The pound's trade-weighted index, as calculated by the Bank of England, was unchanged at 61.4, after standing at 61.3 at noon and 61.4 in early trading.

Rates for forward sterling were slightly firmer in terms of the dollar in the longer periods.

Gold rose $3 to $182¾-183¾, following the sharp rise of silver on the London Metal Exchange. The krugerrand's premium over its gold content rose to a common level of 3.07 per cent, from 2.57 per cent for domestic delivery and 2.43 per cent in the international market.



CURRENCY RATES

	Special Drawing Rights May 30	European Unit of Account May 29
Sterling	0.670253	0.670889
US dollar	1.81738	1.21922
Canadian	1.36164	1.36231
Austria sch	18.4757	18.5351
Belgian franc	40.1979	40.2768
Danish krone	6.92081	6.93239
Deutschem'rk	2.57025	2.57717
Dutch guilder	2.75250	2.75783
French franc	5.62977	5.65795
Italian lira	1057.60	1060.57
Japanese yen	272.695	274.393
Norway krone	6.65289	6.66448
Spain peseta	98.1405	98.5848
Swedish krone	5.67847	5.69444
Swiss franc	2.34680	2.36366

EXCHANGE CROSS-RATES

May 30	Frankfurt	New York	Paris	Brussels	London	Amst'dam	Zurich
Frankfurt	—	2.1105-11.0	46.63-73	6.460-415	3.835-840	93.30-45	109.30-65
New York*	47.25-26	—	21.54-67	3.250-035	1.8180-8190	44.11-18	51.58-60
Paris	16.75-2.25	4.6185-6035	—	13.99-14.02	8.385-415	204.56-28	231.40-08
Brussels	16.61-66	32.98-33.03	7.13-16	—	60.0-2-60.07	14.58-62	17.10-15
London	3.835-844	1.8180-8190	8.40-41	60.00-10	—	4.10½-11½	3.49½-59½
Amst'dam	107.06-13	2.2597-2622	48.905-965	6.2485-2535	4.1065-1115	—	117.355-385
Zurich	91.160-265	1.9250-9245	41.601-686	5.8145-8295	3.0910-r007	85.125-249	—

U.S. $ in Toronto=111.95-111.98 Canadian cents.
Canadian $ in New York=89.37-40 cents. U.S. $ in Milan 868.60-90.
Sterling in Milan 1,576.50-1,572.60. *Rates for May 29.

EURO-CURRENCY INTEREST RATES

May 30	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilders	Swiss franc	W. German mark
Short term	10-10½	6¾-7¼	7⅛-7⅝	4⅛-4⅝	⅛-⅜	3⅛-3⅜
7 day's notice	9⅞-10⅜	7⅝-8	7½-7¾	4½-4¾	⅛-⅜	3⅛-3⅜
Month	10⅛-10⅝	7⅝-8⅛	7⅞-8⅛	4⅝-4⅞	1⅛-1¼	3⅜-3½
Three months	10⅝-11	7⅞-8¼	8-8⅛	4½-4¾	1⅜-1½	3⅜-3½
Six months	11⅛-11½	8¼-8⅝	8⅜-8⅝	4⅞-5⅛	1¼-1⅞	3½-3⅝
One Year	11¾-12⅛	8⅝-8¾	8½-8¾	5¼-5½	2-2¼	3⅝-3⅞

Euro-French deposit rates: two-day 5¾-6¼ per cent; seven-day 5⅞-6¼ per cent; one month 5⁷⁄₁₆-8¹¹⁄₁₆ per cent; three-month 9-9¼ per cent; six-month 9⁷⁄₁₆-9¹¹⁄₁₆ per cent; one-year 10¼-10¾ per cent.

Long-term Eurodollar deposits, two years 8¾-8⅞ per cent; three years 8¹⁵⁄₁₆-9¹⁄₁₆ per cent; four years 9¼-9 per cent; five years 8¹⁵⁄₁₆-9¹⁄₁₆ per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 7.60-7.70 per cent; three months 7.90-8.00 per cent; six-month 8.20-8.30 per cent; one-year 8.45-8.55 per cent.

Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs.

GOLD MARKET

	May 30	May 26
Gold Bullion (a fine ounce)		
Close	$182¾-183¾	$179¾-180¼
Opening	$181-181¾	$179¼-180
Morning fix'g	$181.70 (£99.961)	$178.95 (£98.840)
Aftern'n fix'g	$182.30 (£100.330)	$179.45 (£98.880)
Gold Coins domestically		
Krugerrand	$187½-189½ (£103-104)	$184-186 (£101¼-102¼)
N'w Sov'gns	$52¾-54½ (£29-30)	$52-54 (£28¾-29¾)
Old Sov'gns	$55¾-57¾ (£30¾-31¾)	$54½-56½ (£30-31)
Gold Coins (Internat'lly)		
Krugerrand	$187½-189½ (£103-104)	$184½-186½ (£101½-102½)
New Sov'gns	$52½-54½ (£29-30)	$51½-53½ (£28½-29½)
Old Sov'gns	$55¾-57¾ (£30¾-31¾)	$54½-56½ (£30-31)
$20 Eagles	$277¼-280¼	$275¼-278¼

FOREIGN EXCHANGES

May 30	Bank Rate %	Market Rates Day's Spread	Market Rates Close
New York	7	1.8150-1.8200	1.8180-1.8190
Montreal	8½	2.0310-2.0370	2.0345-2.0365
Amsterdam	4	4.09½-4.12½	4.10½-4.11½
Brussels	5½	53.55-60.15	60.00-60.10
Copenhagen	9	10.32-10.35½	10.33-10.34½
Frankfurt	3	3.82½-3.85	3.83½-3.84½
Lisbon	13	82.70-85.60	83.10-85.30
Madrid	8	146.55-146.95	146.60-146.70
Milan	11½	1,577-1,580	1,578½-1,579½
Oslo	7	9.83-9.93	9.8[illegible]-9.9[illegible]
Paris	9½	8.35-8.43	8.40-8.41
Stockholm	7	8.47-8.50	8.49½-8.49½
Tokyo	4½	403-415	406-407
Vienna	5½	27.55-27.70	27.60-27.70
Zurich	1	3.49-3.52½	3.49½-3.50½

† Rates given for convertible francs. Financial francs 60.15-60.35.

OTHER MARKETS

			Notes Rates
Argentina	1.406-1.408	Argentina	1300-1400
Australia	1.5887-1.6157	Austria	27-28
Brazil	31.57-32.57	Belgium	58½-61
Finland	7.52-7.53	Brazil	35-40
Greece	67.487-69.156	Canada	2.01-2.03½
Hong Kong	8.45½-8.48½	Denmark	10.25-40
Iran	125-131	France	8.30-8.45
Kuwait	0.499-0.504	Germany	3.75-3.90
Luxemb'rg	60.00-60.10	Greece	66-72
Malaysia	4.35-4.37	Italy	1550-1610
N. Zealand	1.7892-1.8070	Japan	405-425
Saudi Arabia	6.21-6.31	Netherl'nd	4.05-4.20
Singapore	4.23½-4.25½	Norway	9.85-10.05
S. Africa	1.5875-1.5851	Portugal	77-85
U.S.		Spain	145-149
Canada		Switz'land	3.45-3.60
CSI		U.S.	1.81½-1.83
U.S. cents	89.34-89.37	Yugoslavia	34-37

* Rate given for Argentina is a free rate.

FORWARD RATES

	One month	Three months
New York	0.40-0.30c. pm	1.17-1.07 c. pm
Montreal	0.40-0.30c. pm	1.25-1.15c. pm
Amst'dam	2⅛-1⅛ c. pm	6⅝-5⅝ c. pm
Brussels	25-15 c. pm	80-65 c. pm
Cop'nhgn	4-6 ore dis	9-11 ore dis
Frankfurt	2⅝-1⅝ pf pm	7⅝-6⅝ pf pm
Lisbon	25-165 c. dis	100-300 c. dis
Madrid	55-115 c. dis	140-220 c. dis
Milan	2-5 lire dis	8-12 lire dis
Oslo	1¼-3¼ ore dis	2½-4½ ore dis
Paris	1¼-¾ c. pm	3¼-2¾ c. pm
St'ckholm	¾ ore pm-¼ ore dis	4-2 ore pm
Vienna	15-5 gro pm	34-23 gro pm
Zurich	3½-2½ c. pm	8⅝-7⅝ c. pm

Six-month forward dollar 2.30-2.20c pm. 12-month 3.85-4.05c pm.

OVERSEAS SHARE INFORMATION

Inv. $ Prem. $2.60 to £—108% (110½%)
Effective rate ($1.8185) 45½% (46½%)

GERMANY ◆

May 30	Price Dm.	+ or —	Div. %	Yld. %
AEG	80	+1.4	—	—
Allianz Versich.	465	+1.5	20	1.9
BMW	253	+2	28.56	6.0
BASF	140.3	+0.6	18.75	6.7
Bayer	140	+0.1	18.75	6.7
Bayer. Hypo	278xd	+5	28.12	5.2
Bayer. Vereinsbk.	296.5xd	+4.2	18	3.0
Ciba-Geigy Ned. wrts	165	......	—	—
Commerzbank	217.5xc	+1.5	17	7.8
Cont Gummi	74	+1.5	—	—
Daimler Benz	298	+4.8	28.12	4.7
Degussa	250xd	+4	17	3.4
Demag	150.5	+2.0	14	4.7
Deutsche Bank	289.3xd	+4.1	28.12	4.9
Dresdner Bank	232.9xd	+1.4	28.12	6.1
Dyckerhoff Zement	145	+2	9.38	3.2
Gutehoffnung	192.0	+0.5	18	6.2
Hapag Lloyd	116	−0.2	12	5.2
Harpener	287.5	+2.5	9	3.2
Hoechst	139	+0.1	16	6.7
Hoesch	46.5	+0.5	4	4.4
Horten	122	+0.4	10	4.1
Kali und Salz	140	−0.5	9	3.2
Karstadt	299	+1.0	20	3.9
Kaufhof	209.5	+1.0	18.72	4.5
Klockner DM100	91.0	......	—	—
KHD	176.9	+2.4	18.76	5.3
Krupp	93	−3	—	—
Linde	253.5	+1.0	16	3.4
Lowenbrau 100	1,450xd	......	25	0.8
Lufthansa	112	−0.3	6	2.7
M.A.N.	180	+1	14	3.3
Mannesmann	156.2	+3.2	17.18	5.5
Metallges	205	+1	10	2.4
Munchener Ruck	520	......	18	1.7
Neckermann	123.3	+1.3	—	—
Preussag DM 100	114	+1	—	—
Rhein West. Elect.	187	+1.1	25	6.7
Schering	260	+1.3	28.12	5.4
Siemens	281.2	+1.3	16	2.8
Sud Zucker	240	−0.5	26.56	5.5
Thyssen A.G.	118.8	+0.5	17.18	7.2
Varta	172	+6	14	4.1
VEBA	105.5	+1.3	12	5.7
Vereins & West Bk	285xd	......	18	3.2
Volkswagen	208	+7	25	6.1

TOKYO ¶

May 30	Prices Yen	+ or —	Div. %	Yld. %
Asahi Glass	355	−4	14	2.1
Canon	470	......	12	1.3
Casio	567	−3	25	2.1
Chinon	340	......	20	2.9
Dai Nippon Print	555	......	18	1.7
Fuji Photo	571	−6	15	1.3
Hitachi	243	+1	12	2.5
Honda Motors	572	+1	18	1.6
House Food	1,120	......	35	1.6
C. Itoh	222	+2	12	2.7
Ito-Yokado	1,510	......	30	1.1
Jaccs	650	+4	13	1.0
J.A.L.	2,640	−10	—	—
Kansai Elect. Pw.	1,140	......	10	4.4
Komatsu	345	......	18	2.6
Kubota	278	......	15	2.7
Kyoto-Ceramic	3,580	......	35	0.5
Matsushita Ind.	718	+1	20	1.4
Mitsubishi Bank	278	......	10	1.8
Mitsubishi Heavy	128	−2	12	4.7
Mitsubishi Corp.	416	−2	13	1.6
Mitsui & Co.	331	−3	14	2.1
Mitsukoshi	557	+10	20	1.8
Nippon Denso	1,350	......	15	0.6
Nippon Shinpan	715	+25	12	0.8
Nissan Motors	757	−1	16	1.0
Pioneer	1,770	+30	48	1.4
Sanyo Electric	242	+1	12	2.5
Sekisui Prefab	871	−3	30	1.7
Shiseido	1,080	......	20	0.9
Sony	1,770	+10	40	1.1
Taisho Marine	236	−2	11	2.3
Takeda Chemical	396	+6	15	1.9
TDK	2,000	+50	30	0.8
Teijin	121	−1	10	4.1
Tokio Marine	485	−6	11	1.1
Tokyo Elect Pow'r	1,050	......	8	3.8
Tokyo Sanyo	510	−8	12	1.9
Tokyo Shibaura	148	+1	10	3.3
Toray	141	−1	10	3.5
Toyota Motor	965	+14	8	1.0

Source Nikko Securities, Tokyo

AUSTRALIA

May 30	Aust. $	+ or —
ACMIL (25 cent)	†0.70	......
Acrow Australia	†0.81	......
Allied Mng. Indg. Inds $1	†2.30	+0.05
Ampol Exploration	†1.30	......
Ampol Petroleum	†0.82	......
Assoc. Minerals	†1.16	+0.01
Assoc. Pulp Paper $1	†1.80	......
Assoc. Con. Industries	†1.65	+0.01
Aust. Foundation Invest.	†1.00	+0.02
ANI	†1.45	−0.05
Audimco	†1.62	+0.05
Aust. Oil & Gas	†0.54	......
Blue Metal Ind.	†1.14	−0.02
Bougainville Copper	†1.45	+0.01
Broken Hill Proprietary	†7.08	+0.06
BH South	†1.12	+0.02
Carlton United Brewery	†1.86	......
C. J. Coles	†2.00	......
CSR ($1)	†3.05	+0.05
Cons. Goldfields Aust.	†2.65	......
Container ($1)	†2.45	......
Conzinc Riotinto	†2.67	−0.02
Costain Australia	†1.50	......
Dunlop Rubber ($1)	†1.41	......
ESCOR	†0.95	......
Elder-Smith	†2.10	......
E.Z. Industries	†2.20	+0.05
Gen. Property Trust	†1.50	−0.08
Hamersley	†2.52	+0.02
Hooker	†0.72	+0.01
ICI Australia	†2.24	−0.01
Inter-Copper	†0.28	......
Jennings Industries	†1.35	......
Jones (David)	†1.30	−0.08
Leonard Oil	†0.38	+0.05
Metals Exploration	†0.46	+0.04
MIM Holdings	†2.33	−0.05
Myer Emporium	†1.74	......
News	†4.40	......
Nicholas International	†0.86	......
North Broken H'dings (50c)	†1.30	+0.05
Oakbridge	†1.75	+0.06
Oil Search	†0.14	......
Otter Exploration	†0.48	−0.01
Pioneer Concrete	†1.57	+0.02
Reckitt & Colman	†2.85	......
H. C. Sleigh	†0.75	......
Southland Mining	†0.25	......
Spargos Exploration	†0.47	−0.01
Tooth ($1)	†1.92	+0.01
Waltons	†0.65	......
Western Mining (50 cents)	†1.40	−0.02
Woolworths	†1.67	......

OSLO

May 30	Price Kroner	+ or —	Div. %	Yld. %
Bergen Bank	94.0	......	9	9.6
Borregaard	69.0	+4.5	—	—
Creditbank	108.0	+10	11	9.2
Kosmos	237.5xd	−5.0	20	8.4
Kreditkassen	106.0	+1	11	10.4
Norsk Hydrokr.80	184.0	−1	12	6.2
Storebrand	86.25xd	+1.25	9	10.5

BRAZIL

May 30	Price Cruz	+ or —	Div. Cruz	Yld. %
Acesita	1.05	+0.05	0.12	11.45
Banco do Brasil	2.35	+0.05	0.17	7.80
Banco Itau	1.25	......	0.16	12.60
Belgo Mineira OP	2.25	+0.10	0.12	5.33
Lojas Amer. OP	3.38	+0.13	0.20	5.92
Petrobras PP	3.02	−0.07	0.16	5.31
Pirelli	1.80	−0.07	0.16	8.88
Souza Cruz OP	3.20	+0.10	0.23	7.18
Unip PE	10.20	......	0.20	1.96
Vale Rio Doce PP	1.50	−0.14	0.15	10.00

Vol. Cr.149.4m. Shares 70.0m.
Source: Rio de Janeiro SE.

JOHANNESBURG

MINES

May 30	Rand
Anglo American Corpn.	5.20
Charter Consolidated	†3.30
East Driefontein	12.30
Elsburg	1.90
Harmony	5.25
Kinross	6.00
Kloof	9.55
Rustenburg Platinum	1.33
St. Helena	†13.40
South Vaal	7.93
Gold Fields SA	31.75
Union Corporation	4.45
De Beers Deferred	6.60
Blyvooruitzicht	5.80
East Rand Pty.	†4.73
Free State Geduld	26.60
President Brand	15.30
President Steyn	12.25
Stilfontein	4.90
Welkom	4.43
West Driefontein	37.00
Western Holdings	29.70
Western Deep	13.60

INDUSTRIALS

May 30	Rand
AECI	†2.70
Anglo-Amer. Industrial	9.30
Barlow Rand	3.90xd
CNA Investments	†1.80
Currie Finance	0.67
De Beers Industrial	†9.30
Edgars Consolidated Inv.	†1.93
Edgars Stores	†24.00
Ever Ready SA	1.70
Federale Volksbeleggings	†1.50
Greatermans Stores	†2.13
Guardian Assurance (SA)	1.83
Hulett's	1.95
LTA	1.55
McCarthy Rodway	0.50
NedBank	2.47
OK Bazaars	6.30xd
Premier Milling	5.40
Pretoria Cement	2.90
Protea Holdings	1.32
Rand Mines Properties	1.85
Rembrandt Group	3.55
Retco	0.53
Sage Holdings	†1.45
SAPPI	1.90
C. G. Smith Sugar	5.75
SA Breweries	1.28
Tiger Oats and Nat. Millg.	9.40
Unisec	1.07

Securities Rand U.S.$0.72¼
(Discount of 36.9%)

هكذا من الأصل

Call to end Indian tea export duty

By K. K. Sharma

NEW DELHI, May 30.

INDIA'S TEA industry is pressing the Government to abolish the export duty of Rs5 per kilogram in view of falling prices at the auctions as well as the effect of recent hailstorms on tea production in North India.

Current auction prices at Indian centres are markedly lower than the peak levels during the early months of last year. Reports from London are that prices for all teas from January to May are down by 31 per cent compared to the same period last year.

At Cochin and Coonoor in south India auction prices dipped by 33 per cent and 19 per cent respectively compared to last year. Hence the demand for removal of the export duty.

Production in West Bengal and Assam is expected to be cut by hailstorm damage. But the United Planters Association of South India has announced that the crop in the South will be about the same as last year at nearly 39m kilos.

The Association adds that information from Sri Lanka and Kenya is that production during January and March has led to a higher crop of 2m kilos. Output in Malawi and Uganda is estimated to be marginally lower.

Australian wool prospects improve

MELBOURNE, May 30.

AUSTRALIAN SHORN wool production in the 1978-79 season (beginning July 1) may be close to the 610m kilos estimated for 1977-78, according to the Australian Wool Corporation's weekly market report.

Good widespread autumn rains, most recently in Western Australia, have coincided with field reports that early lambing has been unusually good.

Corporation chairman Mr. Alf Maiden forecast in January that the 1978-79 clip could fall to 560m to 590m kilos, based on the likelihood that the end-March 1978 lamb population would fall to between 130m and 131m from 135.4m at end-March 1977.

In Wellington, meanwhile, New Zealand Wool Board managing director, Mr. Hugh Peirse, announced a new move which will give farmers year-round selling at prices based on the auction.

Mr. Peirse said the Board would buy all categories of wool direct from farmers in the period from July 1 until after the first sale of the new season on August 17.

Reuter

London silver price jumps to peak level

SILVER PRICES rose sharply yesterday, stealing the limelight from copper, which was subdued by profit-taking after its recent upsurge.

On the London bullion market the spot quotation for silver was raised by 7.45p to 295.2p a troy ounce at the morning fixing. On the London Metal Exchange prices reached record highs with the three months quotation breaking through the £3-an-ounce mark for the first time.

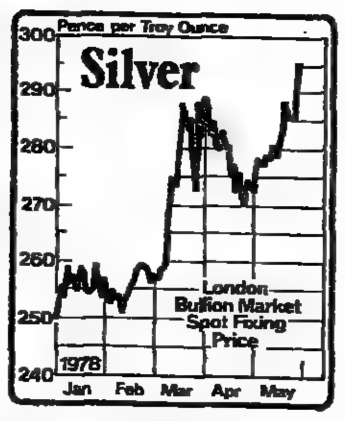
The LME cash price eventually closed 8.85p up at 296.55p and three months was 9.3p higher at 303.85p.

The sudden rise in silver values was attributed to what was described by traders as a favourable chart pattern, a weakening in the value of the dollar and the stronger tone in the gold market.

It is claimed that silver prices have not kept in line with the substantial increases in gold and platinum values during the past 12 months. At the end of May last year, gold was $143.125 an ounce, against its present price of $182.75 and a peak of over $189.

Free market platinum has moved up from under £90 to £137.5 during the past year, while spot silver has risen by only 30p during the same period.

With trading activity centred in silver, the base metal markets were more subdued after last week's excitement. Copper, which moved up sharply on Friday, slowed down on profit-taking sales and reports that a resumption of some production at the Kolwezi mines in Zaire might be achieved in weeks rather than months, as previously feared.



Another hefty fall in copper stocks cutting total LME warehouse holdings by 7,075 to 533,825 tonnes was in line with market forecasts and had already been discounted.

Considerable confusion remains about the price situation in the U.S. Although three producers have raised their domestic prices, others have yet to follow and Kennecott has abandoned the producer price system to base its price on the New York copper market — Comex spot quotation, plus a premium of 2.5 cents a pound.

A sizeable fall in tin stocks, down by 170 tonnes to a total of 2,115 tonnes, was also in line with market expectations and had little impact on the market.

Tin prices rose in Malaysia over the holiday with buying demand sufficient to absorb a larger offering. The Straits Trading Smelter in Penang reported that last year the quantity of tin concentrate received fell sharply, probably because of a rise in illegal exports estimated as high as 7,500 tonnes tin content.

The company claimed that Chinese exports of tin had been more than offset by Soviet Union purchases.

Cominco of Canada announced yesterday that it was raising its official European zinc producer price by $50 to $600 a tonne. This is $25 more than Noranda, but in line with increases announced earlier by Australian producers.

Zinc stocks held in LME warehouses rose by 1,675 to 63,925 tonnes. Lead stocks fell by 1,275 to 57,125 tonnes. LME silver holdings rose by 10,000 to 17,810,000 ounces.

Canadian grain sales 'crisis'

BY OUR OWN CORRESPONDENT

OTTAWA, May 30.

CANADIAN MEMBERS of Parliment are voicing concern at what they describe as "a mounting crisis" in the Canadian grain industry with a 1m ton backlog in shipping and vessels now waiting to load grain at East Coast, West Coast and St. Lawrence Seaway ports.

Mr. Otto Lang, Transport Minister, who speaks for the Wheat Board, vigorously defended the Government's record in grain sales and shipments to date. He said he expected 800m bushels to be moved into export this year.

"We have not been below 600m bushels of grain in the time I have been responsible for the Wheat Board during the past four years," Mr. Lang claimed.

Mr John Diefenbaker, former Prime Minister and Conservative MP from Prince Albert, Saskatchewan led the attack on the Government's handling of the transportation problem.

Western Canadian grain organisations are expressing alarm that the delays in grain movements inside Canada could cost the country a large cut in sales of wheat to China.

The seriousness of the crisis in the transport of grain would reflect itself in lower quota levels, a larger-than-expected carry-over of Western Canadian grain, and demurrage charges that would be the highest on record, a Conservative spokesman from Manitoba warned.

He called on the Government to act immediately to provide money for 4,000 additional grain hopper railway cars which the Wheat Board had asked for. He also urged the railways to be prodded into carrying out a box-car repair programme.

Progress on wheat pact

WASHINGTON, May 30.

THE U.S., Canada and the Common Market have settled their differences over the structure of the new International Wheat Agreement currently being negotiated, Mr. Bob Bergland, U.S. Agricultural Secretary, claimed here today.

Reuter reported that agreement included the key question of whether coarse grains were to be covered by the wheat pact, but gave no further details.

The manipulation of stocks to control prices was another point at issue which appeared to have been resolved.

He also claimed that the USSR would sign the wheat agreement when it had been negotiated, and added that the Soviet Union was now expected to buy the full 15m tonnes of U.S. grain authorised for this year under the current U.S.-USSR grains supply pact.

Mr. Bergland said Soviet officials did not mention the possibility of buying more than the 15m tonnes during his recent visit to Moscow.

They could possibly buy a modest amount above the quota, however, although the capacity of ports in both countries was pretty well booked, he said.

Upsurge in coffee continues

By Richard Mooney

THE ADVANCE in world coffee prices continued yesterday with the July position on the London futures market climbing to £1,738 a tonne before closing £18 up on the day at £1,709 a tonne. July coffee has risen by £160 a tonne since the beginning of last week.

Dealers said yesterday's rise was based on trade covering against the tight supply situation in the May position, which expires today. The resulting rise was magnified by speculative buying.

A continuing background factor in the coffee market is the delicate weather situation in Brazil. Several cold waves moved north towards Brazil's coffee region over the weekend but all veered away before doing any damage. Coffee traders have nevertheless grown increasingly nervous because a frost at this time of year, following a prolonged dry spell, could seriously harm the country's crop.

The market has been living under the shadow of a possible Brazilian frost for more than a week now and this has discouraged any potential selling. The rise in market values has resulted from this lack of selling rather than from any rush to buy coffee.

Meat prices 'stable soon'

By Christopher Parkes

THE RECENT rapid increase in the retail price of meat is about to level off and costs will remain stable until November, Mr. Colin Cullimore, managing director of the Dewhurst butchers' chain, claimed yesterday.

It was "unfortunate" that the price increases of 15 months had been concertinaed into the past three months, he said. Recent Press reports about supplies and prices were "irresponsible."

Figures from the meat industry's monitoring services at the Meat and Livestock Commission show that, since the turn of the year, the average retail price of best beef cuts in Britain has gone up 14 per cent. Lower quality beef is about 11 per cent dearer.

Home-produced lamb is 23 per cent up.

RUBBER PROJECT GIVEN LOAN

WASHINGTON, May 30.

THE World Bank has lent $20m. to the Ivory Coast to help finance a rubber project designed to complete a 13,000-hectare rubber plantation started under a previous plan.

Reuter

BRAZILIAN AGRICULTURE

Wheat growing plan hit by failures

BY SUE BRANFORD IN SAO PAULO

BRAZILIANS ARE learning the hard way that it is not easy to cultivate wheat in a semi-tropical climate.

In 1974, when it finally appeared that the problem was being solved after years of disappointing harvests, the country's confident new Agriculture Minister, Aloysson Paulinelli, announced that Brazil would produce all the wheat it needed "within three years at most." Since then, the crop has faced serious setbacks.

This month, confronted with the prospect of an even worse harvest this year, the same Minister, now nearing the end of his term-of-office despondently admitted that the goal of self-sufficiently would not be reached "for at least 10 or 15 years."

All types of climatic problems affect the crop. As a result, despite the heavy use of fertilisers, yields have been low, at about 700 kgs per hectare, compared to 4-4,500 kgs in the United Kingdom. This year's drought is proving particularly ferocious.

Farmers in southern Brazil carry out the lucrative "dobradinho" (little double), growing soyabeans in the summer and wheat in the winter.

With the soyabean harvest now over, the farmers have prepared their 3m hectares for wheat and are waiting to sow. Farmers say that, already, at least a fifth of the crop has been lost because of delays caused by the drought.

This is the second year of very serious difficulties. Last year's harvest was damaged by an initial drought, followed by excessive heat and abnormally heavy rains.

In the end, the crop in Rio Grande do Sul, usually the leading wheat-producing state, was only 690,000 tonnes, instead of the expected 1.8m. As a result, wheat imports this year will be their highest ever, at 4.2m. tonnes or more, costing at least $550m. They are likely to be even heavier next year.

To encourage wheat cultivation, the government provides the farmers with a very generous subsidy. Last year, the government bought up wheat from the farmers at £106 per tonne, before reselling it to the flour mills at just £40 per tonne. This system cost the Treasury £145m. last year.

With average world wheat prices at about £65 per tonne, it would have been much cheaper to have imported all the country's wheat needs.

Moreover, this system has had unfortunate and unplanned consequences. With the heavy subsidy, flour-based products are sold on the domestic market at relatively cheap prices. As local farmers, producing basic foodstuffs, receive very little government assistance, crop levels have stagnated in recent years, despite the population increase, and retail prices have risen.

As a result, consumers have switched from nationally-produced rice and beans to spaghetti and bread, made from partly-imported wheat.

While per capita consumption of beans fell from 28 kgs per annum in 1965 to 21 kgs in 1977, per capita consumption of wheat rose from 28 kgs to 46 kgs during the same period.

Consumption of wheat meal, for animal fodder, has also increased rapidly. Traders again point to the price differential, explaining that wheat meal, as well as providing excellent fodder, is sold at much less than half the price of domestically-produced maize.

Traders say it has been clear for several years that the subsidy system has got out of control and that, in the end, the Brazilian Government is indirectly subsidising the American farmer.

Because of the evident distortions, it was decided at the end of 1976 to phase out the subsidy in three steps. However, as no concomitant measures were taken to encourage the local production of cheap substitutes for wheat, the plan was quickly abandoned because of its inflationary impact.

Much more recently, a study by the Banco do Brasil suggested that wheat consumption could be greatly reduced through the substitution of other products, such as maize and cassava.

This scheme, however, would entail considerable changes in overall farm policy if the increased production of alternative crops were to be guaranteed. Similar schemes have been proposed in the past but have come to nothing.

The increasing pressure of wheat imports on the balance of payments may eventually force the government to push through the required changes, but in the short term the grain-carriers will continue to travel to Brazil's ports.

Previous Year's Production (in tonnes)	Imports Volume (in tonnes)	Imports Cost (in US$s)	Apparent Consumption (in tonnes)	Year
0.5m	2.9m	335m	3.4m	1973
1.5m	2.4m	468m	3.9m	1974
2.8m	2.2m	372m	5.0m	1975
1.1m	3.5m	533m	4.6m	1976
3.2m	2.7m	280m	5.9m	1977
2.2m	*4.2m	*550m	6.4m	1978

* Prediction.

Sources: CTRIN (Wheat Marketing Board) and Banco Central.

Consumers accused on cocoa price fall

BY OUR COMMODITIES STAFF

COCOA CONSUMING countries are deliberately manipulating the world market to force prices down, producers meeting in Yamoussoukro, Ivory Coast, were told yesterday.

Calling for a revision of the 1975 International Cocoa Agreement to revoke "negative aspects for producing countries," Mr. Denis Bra Kanon, Ivory Coast Agriculture Minister, accused consumer countries of "hidden or unavowed actions through disclosures of unfounded information to which the market has reacted in an unfavourable manner."

A nine-member special committee of the Cocoa Producers' Alliance is carrying out a review of the agreement to seek ways of overcoming clauses which producers felt have a negative effect on prices.

The Alliance is known to want a substantial increase in the floor and ceiling range prices of the current cocoa agreement due to expire in October this year.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER — Fractionally easier on balance on the London Metal Exchange. After rising to £785.5 on the pre-market reflecting the weekend price rises by three U.S. producers and a further fall in warehouse stocks forward metal fell to a day's low of £780 owing to profit-taking and hedge selling. This trend was reversed on the late Kerb however with the prices edging up to close at £788.5. Turnover 17,700 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	772.5-3	+2	767.5-8.5	-2.75
3 months	785-.5	+5.5	788.5-9.5	-.75
Settlem't	773	+2	—	.....
Cathodes				
Cash	763.5-6	+2.25	759-60	-4
3 months	785.5-6	+3.5	779-80	-2.75
Settlem't	766	+2	—	.....
U.S. Smt.	—		64-66.5	.....

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £773, 72.5, three months £787, 86, 87, 86.5, 86, 85, 84, 85, 85.5, 84, 85.5. Cathodes: Cash £765, three months £786, 85.5, 86, 85.5. Kerb: Wirebars, three months £787.5, 88, 89.5, 90, 91, 92, 91.5, 91, 90.5, 90, 89. Afternoon: Wirebars, three months £790, 90, 88, 89, 88.5, 88, 87, 86, 85, 86, 87, 87.5, 88, 89. Cathodes: Three months £779. Kerb: Wirebars, three months £789, 88.5, 90, 89.5, 90. Cathodes, Three months £780.

TIN—Easier. Forward metal rose to £6,480 on the pre-market reflecting a rise in the Penang price over the weekend coupled with the initial firmness in copper. Thereafter values turned easier with forward material falling to £6,400 on the late Kerb following trade hedge selling and the absence of any physical demand. Turnover 750 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6550-60	+10	6510-20	-50
3 months	6450-60	+10	6420-5	-22.5
Settlem't	6560	+10	—	.....
Standard				
Cash	6540-50	+7.5	6510-2	-26.5
3 months	6430-5	+10	6410-5	-10
Settlem't	6550	+10	—	.....
Straits E.	$1671	+12½	—	.....
New York	—	.....	—	.....

Morning: Standard, three months £6,470, 50, 45, 40, 35. High Grade, cash £6,550, 60. Kerb: Standard, cash £6,540, three months £6,435. Afternoon: Standard, cash £6,510, 12; three months £6,430, 25, 20, 15, 10. Kerb: Standard, three months £6,410, £6,400.

LEAD—Lower. Prices moved in line with the trend in copper, with forward metal rising to £315 in the morning rings before easing a shade to close at £314.5 on the late kerb. Turnover 8,200 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	303.5-4.25	-2.75	304-.5	-2.375
3 months	315.5-4	-2	314-.5	-1.5
Sett'lm'nt	304.25	-2.5	—	.....
U.S. Spot	—	.....	31-33	.....

Morning: Three months £315, 14, 13.5, 14. Kerb: Three months £314, 15. Afternoon: Three months £314. Kerb: Three months £314, 14.5.

ZINC—Slightly firmer. Forward metal attracted some fresh buying but values remained steady throughout the day as profit-taking was met by modest short covering. Turnover 2,550 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£		£	
Cash	318.5-20	.....	319-20	+.25
3 months	329.5-30	+.5	329.5-30	+.5
S'ment	320	+.5	—	.....
Prim. West	—	.....	29	.....

Morning: Three months £329, 29.5, 29, 29.5. Kerb: Three months £329.5, 29. Afternoon. Three months £329.5. Kerb: Three months £329.5, 29.

* Cents per pound. † On previous official close. ‡ $M per picul.

SILVER

Silver was fixed 7.45p an ounce higher for spot delivery in the London bullion market yesterday, at 295.2p. U.S. cent equivalents of the fixing levels were: spot 536c, up 14.3c; three-month 547.7c, up 15.3c; six-month 558.9c; and 12-month 576c. The metal opened at 294.8-295.8p and closed at 297.5-298.5p.

COCOA

Prices drifted lower in quiet conditions, Gill and Duffus reported.

COFFEE

Robustas opened £20 to £30 higher as the market reacted to vague rumours about South American weather conditions, Drexel Burnham Lambert reported.

VEGETABLE OILS

LONDON PALM OIL—Closing: June, July, August all 280.00-330.00. Sept. 290.00-330.00. Oct. 290.00-320.00. Nov. 280.00-315.00. Dec. 280.00-310.00. Jan. and Feb. unquoted. Sales: Nil.

SOYABEAN MEAL

SUGAR

RUBBER

JUTE

GRAINS

WOOL FUTURES

MEAT/VEGETABLES

Imported frozen: NZ PL 52.0 to 52.8, NZ PM 50.0 to 51.5.

Pork: English, under 100 lb 38.0 to 46.0, 100-120 lb 37.0 to 44.0, 120-160 lb 36.0 to 43.0.

MEAT COMMISSION—Average fatstock prices at representative markets on May 30: GB—Cattle 71.30p per kg.l.w. (−0.38), UK—Sheep 158.5p per kg.est.d.c.w. (−5.9), GB—Pigs 59.4p per kg.l.w.

COTTON

PRICE CHANGES

Prices per tonne unless otherwise stated.

	May 30 1978	+ or —	Month ago
Metals			
Aluminium	£680	.....	£680
Free market (cif)	$1,000-10	.....	$985-000
Copper cash W. Bars	£768	−2.75	£691.5
3 months do. do.	£789	−0.75	£709.25
Cash Cathode	£759.5	−4.0	£681.5
3 months do. do.	£779.5	−2.75	£699.5
Gold ....Troy oz.	$182.875	+3.0	$169.125
Lead Cash	£304.25	−2.375	£302.5
3 months	£314.25	−1.5	£310.75
Nickel	‡		‡
Free Market (cif lb)	$1.95-2.05	.....	$1.95-2.05
Platinum troy oz.	£120.50	.....	£120.5
Free Market	£137.5	+3.35	£116.15
Quicksilver (76lb.)	$127-32	.....	$127-32
Silver troy oz.	295.2p	+7.45	272.55p
3 months	302.5p	+7.85	277.95p
Tin Cash	£6,511	−26.5	£6,182.5
3 months	£6,412.5	−10.0	£6,157.5
Wolfram 22.04lb.cif	$131-36	.....	$137-42
Zinc cash	£319.5	+0.25	£297
3 months	£329.75	+0.5	£306.25
Producers	$550-600	.....	$550-600
Oils			
Coconut (Phil)	$687.5y	.....	$615
Groundnut	£749	.....	£753
Linseed Crude (v)	£385	.....	£363
Palm Malayan	$625A	+10.0	$596
Seeds			

INDICES

FINANCIAL TIMES

REUTER'S

DOW JONES

MOODY'S

Factory 'call-up'

Companies in Northampton are advertising for factory workers from high unemployment areas in Scotland and the North East because they cannot find recruits locally.

U.S. Markets

Metals up on price index rise

NEW YORK, May 30.

PRECIOUS METALS closed sharply higher on aggressive Commission House buying and short-covering following a weaker U.S. dollar and expectations of a sharp increase in the consumer price index for April. Copper rallied on trade arbitrage buying, Commission House short-covering following the strength in Sterling.

Cocoa—July 133.35 (136.25), Sept. 130.50, (133.25), Dec. 126.65, March 123.80, May 121.50, July 120.30, Sept. 118.70. Sales: 945.

Coffee — "C" Contract: July 169.40-169.00 (168.50), Sept. 162.25-162.50 (162.70), Dec. 155.00-155.25, March 151.50-152.00, May 148.75-149.00, July 146.75, Sept. 143.00-144.00. Sales: 590.

Copper—June 65.30 (same), July 65.90 (same), Aug. 66.50, Sept. 67.10, Dec. 68.70, Jan. 69.20, March 70.20, May 71.20, July 72.20, Sept. 73.20, Dec. 74.70, Jan. 75.20, March 76.20. Sales: 7,000 lots.

Cotton—No. 2: July 60.55-60.70 (60.54), Oct. 62.43-62.45 (62.35), Dec. 63.95-64.00, March 64.65, May 65.50-65.55, July 65.90-66.20, Oct. 66.15-61.40. Sales 565,000 bales.

STOCK EXCHANGE REPORT

Markets start the new Account on a subdued note

Share index down 3.6 at 472.5—Australians active

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
May 15	May 25	May 26	Jun. 7
May 30	Jun. 8	Jun. 9	Jun. 20
Jun. 12	Jun. 22	Jun. 23	July 4

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Apart from another lively trade in the Australian mining sector and an improvement in Gold shares following renewed firmness in the bullion price, stock markets made a rather subdued start to the Account which got underway yesterday.

British Funds remained unsettled by monetary worries, scattered offerings of the shorts on an unwilling market being quickly reflected in prices which recorded fresh losses extending to ½ at the close. The longer maturities were inclined easier in sympathy and the Government Securities index gave up 0.18 more to a 1978 low of 69.92.

The Industrial leaders drifted lower on lack of any worthwhile demand, but the majority of losses in the index constituents were limited to two or three pence. The bulk of the day's fall took place during the morning session, as reflected in the FT 30-share index which recorded a loss of 3.5 at noon and barely stirred from that level to close 3.6 off on the day at 472.5. The low level of interest was shown in official markings of 4,575 compared with last week's daily average of 4,979.

There was little in the way of company trading statements to enliven the day's proceedings, but Swan Hunter became a late weak feature at 132p, down 12, on the gloomy interim statement. Overall, the market presented a picture of scattered irregular changes, but rises just had the edge over falls in FT-quoted Industrials.

Gilts uncertain

With sentiment still unsettled by the authorities lack of any moves to alleviate market fears about future monetary policy, British Funds continued on an uncertain note. Short-dated issues encountered scattered selling and, in the thin conditions prevailing, prices closed at the day's lowest with falls ranging to ½. The short tap, Exchequer 9½ per cent "A," 1982, ran back ½ more to 93 compared with the last operative price of 93½. Longs also traded extremely quietly, and drifted a little easier in sympathy with the early maturities to finish with widespread losses of ¼.

The investment currency market was fairly quiet throughout the day and from an opening level of around 109½ per cent, the premium drifted lower to close 2¼ down at 108 per cent. Yesterday's conversion factor was 0.6847 (0.6813).

Yesterday was one of the quietest days yet in London Traded Options which started dealings on Friday, April 21. The number of contracts done was 348, compared with last Friday's 429 and the lowest since the 270 recorded on April 26. Most of the business was transacted in the morning session. Courtaulds emerged as the most active with 145 contracts traded, followed by Shell, 88, and Cons. Goldfields, 34.

Banks easier

Quietly dull conditions prevailed in the major clearing banks as prices drifted lower on lack of support. Barclays and Midland both ended 5 off at 330p and 360p respectively, while Press comment reviving old fears of an imminent rights issue from NatWest had little impact on the shares which closed only 2 lower at 268p. Elsewhere, Allied Irish improved 3 to 186p. Among Merchant Banks, week-end Press comment prompted an improvement of 1½ to 49p xd in Keyser Ullmann, while Leopold Joseph were marked up 15 to 190p and Antony Gibbs edged forward 2 to 47p. Hill Samuel closed unaltered at 88p despite news that the Supreme Court in Karlsruhe had ruled that the Bundesbank will not have to pay damages to Hill Samuel over the closure nearly four years ago of Bankhaus Herstatt.

A dull market towards the end of last week following the surprise £26m fund-raising call from Alexander Howden, insurance brokers continued to drift lower in thin trading. In ex-rights form, A.H. closed a penny off at 155p, while the new nil-paid shares opened and closed at 9p premium. Matthews Wrightson shed 6 to 163p xd and C. E. Heath gave up 5½ to 263p xd.

Breweries drifted gently lower on lack of interest, but Boddingtons held steady at 108p ex the scrip issue. Against the trend, Young Brewery A edged forward 3 to a 1978 peak of 175p on small buying in anticipation of Thursday's preliminary figures.

Building issues closed a shade easier on lack of interest in a small trade. Occasional interest developed for secondary issues in which trading statements are due. Norwest Holst closed a penny cheaper at 94p, after 96p, ahead of the results due today, while J. Smart firmed a penny to 54p in front of tomorrow's interim figures. The return to profit and dividends prompted a rise of 4½ to 18½p in Leaderflush, while Cakebread Robey "A" added 3½ to 27pxd in belated response to the annual results. Heywood Williams returned to favour after recent profit-taking and rose 4 to 104p. Pochins firmed 3 to 143p in a thin market, while a Press mention left J. B. Holdings fractionally higher at 68½p.

Home Charm wanted

In dull Chemicals, lack of support left ICI, 387p, and Fisons, 356p, 3 and 4 easier respectively. Albright and Wilson edged forward slightly to 164p after Press comment on the offer from Tenneco.

Stores took a turn for the better with Home Charm prominent at 166p, up 8, on renewed support. S. Casket rose 3 to 43p. A. G. Stanley were quoted ex the scrip issue at 112p.

Press comment directed attention to H. Wigfall which rose 8 to 201p. Philips' Lamp reflected overseas advices with a gain of 27 to 935p, while Ever Ready moved up 3 to 146p xd and Comet Radiovision 4 to 125p. Pressac were also firm at 88p, up 3½, ex the scrip issue.

GKN gave up 3 more at 261p, still unsettled by recent suggestions that the group is likely to fail in its bid to secure the contract to build a £190m car factory in East Germany. Among the other Engineering leaders, Tubes gave up 4 to 374p and John Brown softened 2 to 370p. Hawker held at 216p following the annual report and accounts. Elsewhere, Cornercroft stood out with a jump of 9 to 66p following the 65p per share cash offer from Armstrong Equipment. Delson moved up 3 to 28p in response to Press comment, while similar improvements were seen in Deritend Stamping, 151xd, Henry Sykes, 93p and Whitehouse, 93p. Down 13 last Friday in reaction to the sharp contraction in interim earnings, Fluidrive rallied 3 to 55p.

Swan Hunter became a prominent dull feature in Shipbuildings, falling 12 to 132p after-hours on the interim profits setback and accompanying gloomy statement about second-half prospects.

Among Foods, Associated British hardened a penny to a 1978 peak of 87p in response to weekend Press mention. United Biscuit were supported at 84p, up 4. Following Friday's jump of 13, Hillards improved afresh to 248p before closing without alteration at 245p. Northern Foods held at 89p following the interim report.

Reed Int firm

Miscellaneous Industrial leaders plotted an irregular course in thin trading. Reed International were notable for a gain of 6 to 122p, after 124p, following buying in front of today's annual results, while improvements of 3 and 2 respectively were seen in Pilkington, 478p, and Unilever, 514p. Beecham, however, softened 3 to 655p and Boots relinquished 2 to 188p xd. Elsewhere, Elson and Robbins rose 6 to 93p on speculative demand and Sotheby Parke attracted renewed investment support and gained 8 to 298p. J. F. Nash Securities, at 122p, recorded a Press-inspired improvement of 2 and I. and J. Hyman were a like amount dearer at 38p for a similar reason. Crest Nicholson added 4 at 87p, after 88p, and R. H. Cole advanced 6 to 120p. Comment on the better-than-expected annual profits lifted George Ewer 1½ more to 34p, while further consideration of the interim performance helped J. Dykes, at 26p, to recover 1½ of last Friday's fall of 4. Securicor put on 4 to 114p but Rockware came on offer at 126p, down 6, and losses of 4 and 5 respectively were recorded in William Baird, 172p, and Johnson Matthey, 435p.

Distributors figured prominently in firm Motors. Oliver Rix hardened 1½ to 8½p in active trading generated by Press comment ahead of today's interim statement. Press comment also influenced Hanger Investments, 4 up at 45p, and Arlington Motor, 6 higher at 134p, while H. and J. Quick were called 2½ better at 48½p ex the scrip issue. Reliant Motor hardened a penny more to 9p on Press comment.

English property ease

In Newspapers, North Sea oil favourite Thomson became unsettled and gave up 8 at 242p following reports of development cost increases of two important North Sea oil fields. Elsewhere, East Midland Allied Press A firmed 3 to 90p, after 95p, in response to the results and proposed scrip issue, while buying interest in a thin market left Websters Publications 2 up at 38½p. Saatchi found support and put on 5 at 141p as did Melody Mills 3 firmer at 53p.

After recent firmness following the disclosure that talks are in progress with an unnamed Continental group which may lead to a bid for the company, English Property reacted 4 to 44p. The situation led to a revival of speculative interest elsewhere in Properties and not least in Bernard Sunley which closed 6 up at 218p, after touching 226p; Eagle Star holds a large stake in both English and Sunley. Property Partnerships also attracted buyers and advanced 15 to 105p. Land Securities, results due next Tuesday, eased 3 to 209p, while Peachey, despite the near completion of the sale of the Park West complex, shed 2 to 79p. Warnford Investments gained 3 to 265p following the results.

Leading Oils again traded quietly. British Petroleum eased 4 to 876p ahead of tomorrow's first quarter statement, but Shell closed marginally higher at 534p. Siebens UK eased 3 more to 434p, while Burmah drifted a penny lower to 71p. On the other hand, reasonable demand left Premier 1½ to the good at 17½p and Endeavour added a penny to 20½p on the news of the $A1.06m purchase of the Moolyella tin mine near Marble Bar in the Pilbara region of Western Australia.

African Lakes were quoted ex the scrip issue at 260p.

Little interest was being shown in Investment Trusts and Financials and price changes were usually limited to a penny or two. London European Group stood out at 27p, up 3, on speculative interest, while similar improvements were seen in Challenge Corporation, 142p, and Equity Income 196p.

Contrasting movements in Shippings were provided by James Fisher, 5 better at 155p following Press comment, and Walter Runciman, a like amount cheaper at 95p xd on the chairman's profits warning. The leaders were idle and little changed with Furness Withy down 8½ at 258p xd.

In Textiles, Caird (Dundee) had a rise of 3 to 17p on Press comment. S. Jerome were quoted at 31p ex the scrip issue.

Buying ahead of the preliminary results due on June 8 left Guthrie 10 higher at 315p among Rubbers. Castlefield, however, gave up 8 to 237p on profit-taking. In Teas, Longbourne gained 10 to 325p and Jokai hardened a penny to 304p following publication of the document concerning the scheme of arrangement for the proposed merger which contains profits forecasts from both. Dealings in Rosehaugh were suspended, at 182p, at the company's request, pending publication of further information on the value of its unquoted investments.

Australians active

Australian issues, and in particular the participants of the Ashton diamond venture, continued to hold the limelight in mining markets although activity was by no means as hectic as on Thursday and Friday of last week.

After a brisk two-way trade Northern Mining were finally 2 cheaper on balance at 130p, after 140p, as profit-taking outweighed fresh speculative buying. Conzinc Riotinto, the major holder in the venture, hardened a penny to a 1978 high of 245p but the London-registered Tanganyika Concessions dipped 2 to 173p despite favourable Press comment.

Elsewhere in Australian issues, Mid-East Minerals advanced 12 to 32p in response to a Press recommendation, while Otter Exploration rose 2 to 40p for the same reason.

Base-metal producers moved ahead reflecting the recent firmness of metal prices on the London Metal Exchange. New highs for the year were seen in Peko-Wallsend, 15 better at 510p, North Broken Hill, 2 up at 118p and Pacific Copper, a penny harder at 48p.

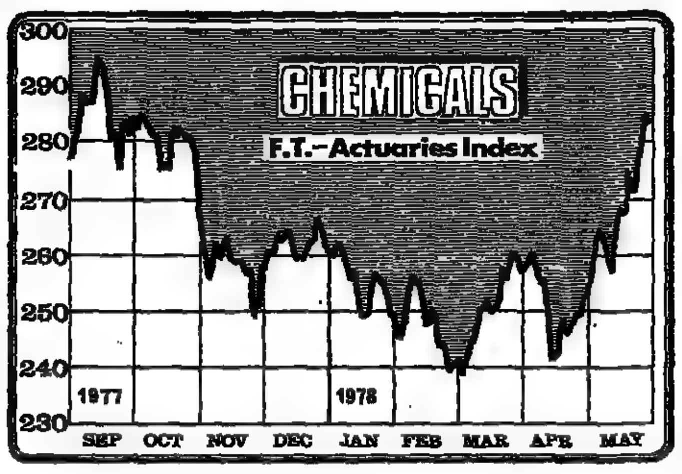
On the other hand Western Mining declined 4 to 126p and Bougainville 2 to 130p. The coal-producing Utah Mining Australia added 10 more at 410p.

Golds gained ground for the first time in five trading days reflecting the strong rally in the bullion price, which was finally $3 higher at $182.875 per ounce.

Business in Golds, however, remained quiet. A modest London demand for the high quality producers enabled West Driefontein to close ½ up at a 1978 high of £21¾ and East Driefontein put on 16 to a peak of 724p. Elandsrand were unchanged on balance at 180p, ex rights, while the new shares were finally quoted at 17p premium. The Gold Mines index gained 1.2 to 153.6.

Financials were quiet but Coppers tended to push ahead. Roan Consolidated Mines rose 5 to a 1978 high of 80p and Botswana RST 2 to 23½p.

Members of the Northgate group all registered substantial gains following the suspension of Anglo United Development at the outset of trading in Canada. Anglo rose 25 to 158p prior to the suspension, while Northgate advanced 40 to a high of 390p and Westfield 12 to 96p. Tara Exploration closed ½ better at £11½.



FINANCIAL TIMES STOCK INDICES

	May 30	May 26	May 25	May 24	May 23	May 22	A year ago
Government Secs.	69.92	70.10	70.47	70.42	70.39	70.19	68.81
Fixed Interest	71.76	71.99	72.10	71.95	71.97	71.74	69.18
Industrial Ordinary	472.5	476.1	477.5	474.0	470.6	468.8	448.5
Gold Mines	153.6	152.4	152.9	153.8	155.1	155.2	116.9
Ord. Div. Yield	5.59	5.55	5.52	5.56	5.59	5.62	5.16
Earnings Yld%(full)(*)	16.59	16.62	16.70	16.82	16.96	17.04	15.89
P/E Ratio (net)(*)(†)	8.10	8.13	7.99	7.93	7.88	7.85	8.12
Dealings marked	4,575	5,568	4,479	4,657	4,955	5,240	6,043
Equity turnover £m	—	88.09	82.32	64.87	69.68	62.46	38.10
Equity bargains total	—	16,848	16,599	15,118	13,314	14,083	11,656

10 am 473.2. 11 am 472.9. Noon 472.6. 1 pm 472.1. 2 pm 472.4. 3 pm 472.4.

Latest Index 01-246 8026.

* Based on 52 per cent corporation tax. † Nil=7.94.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec 1942.

HIGHS AND LOWS

	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.65 (3/1)	69.92 (30/5)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	71.74 (22/5)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.5 (5/1)	455.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6 (9/5)	130.3 (6/3)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	May 30	May 26
Daily		
Gilt-Edged	135.5	144.5
Industries	162.9	204.1
Speculative	36.4	40.0
Totals	104.1	136.7
5-day Average		
Gilt-Edged	148.4	150.0
Industries	173.9	179.0
Speculative	35.7	36.0
Totals	110.3	115.3

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
May 23	Jun. 6	Aug. 17	Aug. 30
Jun. 7	Jun. 20	Aug. 31	Sep. 14
Jun. 20	July 4	Sep. 14	Sep. 28

For rate indications see end of Share Information Service

Stocks favoured for the call were Talbex, Charterhall Finance, Central and Sheerwood, Reardon Smith A, Erskine House, Burmah Oil, Thomson Organisation, Premier Consolidated Oil, Tarmac, Pacific Copper, Orme Developments, Petrocon, and Spillers. A put was done in Eurotherm, while doubles were arranged in English Property, P & O Deferred, Savoy Hotel A, Erskine House and Burmah Oil. A short-dated put was taken out in Reed International.

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (133)

CORPORATION LOANS (1)
BANKS (4)
BEERS (2)
BUILDINGS (4)
CHEMICALS (3)
DRAPERY & STORES (5)
ELECTRICALS (1)
ENGINEERING (8)
FOODS (2)
HOTELS (1)
INNDUSTRIALS (20)
MOTORS (9)
NEWSPAPERS (2)
PAPER & PRINTING (2)
PROPERTY (3)
SHIPPING (1)
TEXTILES (2)
TRUSTS (9)
OVERSEAS TRADERS (5)
RUBBERS (2)
TEAS (2)
MINES (13)

NEW LOWS

BRITISH FUNDS (33)
Treas. 10¼pc 1978, Treas. 10½pc 1979, Treas. 9pc 1980, Treas. 9½pc 1980, Exchqr. 3pc 1983, Treas. 12pc 1983, Funding 5½pc '82-84, Treas. 8¼pc '84-86, Exchqr. 13pc 1980, Treas. 9¾pc 1981, Exchqr. 8¾pc 1981, Exchqr. 9¾pc 1981, Exchqr. 3pc 1981, Exchqr. 12¾pc 1981, Treas. 8¼pc '80-82, Treas. 3pc 1982, Treas. 14pc 1982, Treas. 8¼pc 1982, Exchqr. 9¼pc 1982, Exchqr. 9¼pc '82 A, Exchqr. 8¼pc 1983, Funding 6½pc '85-87, Treas. 7¾pc '85-88, Transpt. 3pc '78-88, Treas. 5pc 1986-89, Funding 5½pc '87-91, Funding 6pc 1993, Gas 3pc 1990-95, Redmptn. 3pc '86-96, Exchqr. 12pc 1998 (£65 pd.), Funding 3½pc '99-04, Treas. 5½pc '08-12, War Loan 3½pc

CORPORATION LOANS (2)
GLC 12½pc 1982, Glasgow 9¼pc '80-82

LOANS (2)
ICFC 10½pcUns.Ln. 1986, ICFC 11¼pcUns.Ln. 1990

CANADIANS (1)
Can. Pac. 4pc Deb.

BUILDINGS (1)
Mowlem (J.)

ENGINEERING (2)
Procor 11½pc '93-98, Wheeler

INDUSTRIALS (2)
Caravans Intl., Stafflex Int.

MOTORS (1)
Dunlop

SHIPPING (1)
Jacobs (J. I.)

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
Barclays Bank	£1	9	330	−5	359	296
ICI	£1	9	387	−3	390	328
Rix (Oliver)	5p	8	8½	+1½	8½	4½
BATs Defd.	25p	7	288	—	296	227
Beecham	25p	7	655	−3	678	583
Burmah Oil	£1	7	71	−1	72	42
Boots	25p	6	188xd	−2	231	184
BP	£1	6	876	−4	892	720
Courtaulds	25p	6	122xd	−2	131	109
Distillers	50p	6	178	−2	187	163
English Property	50p	6	44	−4	51	27
GEC	25p	6	238	—	278	233
Grand Met.	50p	6	112	+½	116	87
Royal Insurance	25p	6	333	−2	425	346
Shell Transport	25p	6	534	+1	686	484

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	—	68	2
Corpns., Dom. and Foreign Bonds	2	13	44
Industrials	342	396	897
Financial and Prop.	89	135	294
Oils	4	8	20
Plantations	5	9	18
Mines	49	20	65
Recent Issues	3	9	16
Totals	582	575	1,346

LONDON TRADED OPTIONS

Option	Ex'rcise price	July Closing offer	July Vol.	October Closing offer	October Vol.	January Closing offer	January Vol.	Equity close
BP	750	142	—	182	—	170	—	877p
BP	800	93	—	112	—	132	—	..
BP	850	49	—	71	—	94	—	..
BP	900	19	—	42	—	64	—	..
Com. Union	140	12½	—	17½	—	20½	—	146p
Com. Union	160	5	—	8	—	11½	—	..
Cons. Gold	160	17	30	25	2	30	1	172p
Cons. Gold	180	5	—	16	1	20	—	..
Courtaulds	100	24½	7	27½	49	27	55	123p
Courtaulds	110	16	6	20	—	21	—	..
Courtaulds	120	9	25	12	—	15	1	..
Courtaulds	130	4½	22	8	5	11	—	..
GEC	220	42	—	48	—	55	—	258p
GEC	240	25	—	33½	—	41	—	..
GEC	260	11	8	22	—	29½	—	..
Grand Met.	100	16	—	18½	—	20½	—	111p
Grand Met.	110	7½	—	11	—	15	—	..
Grand Met.	120	3	—	7	—	11	—	..
ICI	330	64	1	66	—	68	5	387p
ICI	360	35½	2	42	6	47	—	..
ICI	390	13	8	20½	—	30	10	..
Land Secs.	180	32	12	34	15	39	—	209p
Land Secs.	200	15	—	20	9	24½	—	..
Land Secs.	220	4½	—	10	5	16	—	..
Marks & Sp.	120	26	—	29	—	30	—	143p
Marks & Sp.	140	10	—	14½	—	17	—	..
Marks & Sp.	160	2½	—	6½	—	9	—	..
Shell	500	73	—	92	—	99	—	552p
Shell	550	29	13	50	9	59	5	..
Shell	600	9½	21	22	40	30	—	..
Totals			152		141		55	

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
100	F.P.	9/7	153	142	[illegible]	148	−1	b2.54	4.0	2.7	14.1

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS — GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Tues., May 30, 1978 Index No.	Day's Change %	Est. Earnings Yield% (Max.) Corp. Tax 52%	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net) Corp. Tax 52%	Fri. May 26 Index No.	Thurs. May 25 Index No.	Wed. May 24 Index No.	Tues. May 23 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (171)	211.96	−0.3	17.79	5.67	7.85	212.52	213.57	211.78	211.16	178.36
2	Building Materials (28)	189.66	−0.3	18.11	5.72	7.90	190.31	191.04	189.38	189.40	148.35
3	Contracting, Construction (28)	339.52	−0.4	20.19	4.01	7.25	340.91	344.49	338.29	339.17	252.56
4	Electricals (15)	444.48	−0.2	15.39	3.99	9.21	445.47	448.44	446.17	441.33	342.59
5	Engineering Contractors (14)	314.95	−0.9	18.75	6.47	7.23	317.71	319.71	316.20	316.91	253.20
6	Mechanical Engineering (71)	172.23	—	18.82	6.22	7.23	172.17	172.19	171.14	170.49	162.34
8	Metals and Metal Forming (17)	163.73	−0.5	17.49	8.58	7.81	164.60	166.01	164.23	164.87	152.32
	CONSUMER GOODS										
11	(DURABLE) (52)	194.28	−0.1	17.16	4.91	8.20	194.39	194.42	193.65	193.20	164.76
12	Lt. Electronics, Radio TV (15)	227.02	—	15.43	5.60	9.14	227.10	226.93	225.06	224.55	182.73
13	Household Goods (12)	176.13	−0.2	16.34	6.40	8.41	176.52	176.46	175.57	175.63	162.62
14	Motors and Distributors (25)	124.65	—	19.90	6.22	7.09	124.10	124.31	124.62	124.26	111.04
	CONSUMER GOODS										
21	(NON-DURABLE) (175)	200.90	−0.5	15.90	5.86	8.56	201.94	203.10	201.47	200.31	166.74
22	Breweries (14)	234.37	−1.9	14.38	5.80	9.99	238.82	241.06	236.61	234.36	174.91
23	Wines and Spirits (6)	254.76	−1.1	15.88	5.65	9.55	257.49	259.92	257.54	255.06	191.97
24	Entertainment, Catering (17)	255.99	+0.5	13.77	6.67	10.51	254.71	256.41	255.11	256.06	209.58
25	Food Manufacturing (22)	193.32	+0.5	20.16	5.74	6.56	192.29	193.19	192.44	191.10	173.92
26	Food Retailing (15)	197.81	+0.3	14.37	4.80	9.60	197.27	198.82	196.84	197.84	169.75
32	Newspapers, Publishing (13)	364.85	−1.9	10.84	3.40	13.22	371.79	373.56	371.59	368.98	277.62
33	Packaging and Paper (15)	130.65	+0.5	19.99	9.15	7.09	130.02	130.04	129.16	127.34	118.17
34	Stores (39)	178.60	−0.6	11.79	4.54	12.45	179.66	181.17	179.26	177.53	143.84
35	Textiles (25)	180.65	−2.7	17.28	7.67	7.46	185.67	184.54	182.02	181.79	165.45
36	Tobaccos (3)	255.34	−0.2	21.65	7.33	5.49	255.85	256.83	257.73	257.74	219.24
37	Toys and Games (6)	108.26	−0.3	19.55	5.77	6.69	108.61	108.61	107.61	105.53	94.71
41	OTHER GROUPS (97)	198.91	−0.4	16.16	5.73	8.13	199.65	199.86	197.98	195.84	178.37
42	Chemicals (19)	283.47	−0.6	17.59	6.17	7.72	285.12	283.82	278.14	271.41	247.9[illegible]
43	Pharmaceutical Products (7)	260.18	−0.2	11.38	3.94	10.98	260.67	259.86	259.58	259.30	0.0[illegible]
44	Office Equipment (6)	137.17	−0.4	17.50	4.76	6.77	137.66	139.21	137.74	137.26	101.4[illegible]
45	Shipping (10)	428.15	−1.0	19.51	7.35	6.23	432.57	434.14	436.04	431.34	513.3[illegible]
46	Miscellaneous (55)	204.55	−0.1	16.73	6.31	8.11	204.80	206.30	205.10	204.35	175.8[illegible]
49	INDUSTRIAL GROUP (495)	209.57	−0.4	16.51	5.72	8.25	210.38	211.21	209.48	208.20	178.5[illegible]
51	Oils (5)	493.87	−0.2	14.95	4.00	7.26	494.63	499.41	496.07	498.64	493.[illegible]
59	500 SHARE INDEX	233.09	−0.4	16.27	5.45	8.08	233.91	235.04	233.17	232.15	203.[illegible]
61	FINANCIAL GROUP (100)	162.91	−0.6	—	5.71	—	163.89	165.19	166.14	165.09	135.[illegible]
62	Banks (6)	188.92	−1.0	25.05	5.71	6.04	190.83	192.42	195.16	192.49	150.[illegible]
63	Discount Houses (10)	198.12	−1.1	—	8.60	—	200.37	200.37	199.20	200.47	164.[illegible]
64	Hire Purchase (5)	145.72	+0.2	13.43	5.63	11.03	145.43	146.63	145.65	146.46	126.[illegible]
65	Insurance (Life) (10)	136.99	−0.2	—	6.65	—	137.21	139.82	139.26	139.16	106.[illegible]
66	Insurance (Composite) (7)	123.57	−0.4	—	6.90	—	124.04	125.90	126.20	125.49	111.[illegible]
67	Insurance Brokers (10)	323.44	−1.2	14.41	4.85	9.93	327.37	333.37	345.62	346.23	289.[illegible]
68	Merchant Banks (14)	80.31	+0.3	—	6.07	—	80.08	79.94	79.81	79.39	69.[illegible]
69	Property (31)	234.44	−0.7	2.92	3.03	65.71	236.01	235.65	232.14	229.93	183.[illegible]
70	Miscellaneous (7)	105.89	−0.1	24.67	7.52	5.61	106.02	105.94	106.03	106.08	88.[illegible]
71	Investment Trusts (50)	202.37	−0.7	3.31	4.89	30.17	203.81	203.75	203.31	204.06	171.[illegible]
81	Mining Finance (4)	98.44	—	17.00	7.00	7.17	98.44	97.45	97.67	96.85	94.[illegible]
91	Overseas Traders (19)	314.67	+0.3	15.35	6.57	8.13	313.83	314.05	311.74	313.49	279.[illegible]
99	ALL-SHARE INDEX (673)	214.45	−0.4	—	5.52	—	215.24	216.31	215.18	214.28	186.[illegible]

FIXED INTEREST PRICE INDICES

	British Government	Tues. May 30	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	105.04	−0.22	—	3.63
2	5-15 years	115.32	−0.19	—	2.57
3	Over 15 years	119.63	−0.14	—	4.97
4	Irredeemables	125.72	−0.28	—	6.08
5	All stocks	112.61	−0.19	—	4.01

FIXED INTEREST YIELDS — Br. Govt. Av. Gross Red.

			Tues. May 30	Fri. May 26	Year ago (approx.)
1	Low	5 years	8.77	8.71	[illegible]
2	Coupons	15 years	11.09	11.06	[illegible]
3		25 years	11.70	11.67	[illegible]
4	Medium	5 years	11.35	11.26	[illegible]
5	Coupons	15 years	12.30	12.27	[illegible]
6		25 years	12.45	12.44	[illegible]
7	High	5 years	11.62	11.52	[illegible]
8	Coupons	15 years	12.86	12.81	[illegible]
9		25 years	13.23	13.20	[illegible]
10	Irredeemables		11.41	11.41	[illegible]

		Tuesday, May 30 Index No.	Tuesday, May 30 Yield %	Friday May 26	Thurs. May 25	Wed. May 24	Tues. May 23	Mon. May 22	Friday May 19	Thurs. May 18
15	20-yr. Red. Deb & Loans (15)	57.56	12.94	57.37	57.55	57.59	57.39	57.28	57.72	57.87
16	Investment Trust Prefs. (15)	51.75	13.71	51.70	51.70	51.78	51.62	51.62	52.35	52.53
17	Coml. and Indl. Prefs. (20)	71.79	12.70	71.98	71.83	71.90	69.85	69.92	70.50	70.47

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

FINANCIAL TIMES

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Telex: Editorial 886341/2, 883897 Advertisements: 885033 Telegrams: Finantimo, London PS4
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INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

BASE LENDING RATES

A B N Bank	9 %	■ Hill Samuel §	9 %
Allied Irish Banks Ltd.	9 %	C. Hoare & Co. †	9 %
American Express Bk.	9 %	Julian S. Hodge	10 %
Amro Bank	9 %	Hongkong & Shanghai	9 %
A P Bank Ltd	9 %	Industrial Bk. of Scot.	7½%
Henry Ansbacher	9 %	Keyser Ullmann	9 %
Banco de Bilbao	9 %	Knowsley & Co. Ltd.	11½%
Bank of Credit & Cmce.	9 %	Lloyds Bank	9 %
Bank of Cyprus	9 %	London Mercantile	9 %
Bank of N.S.W.	9 %	Edward Manson & Co.	10½%
Banque Belge Ltd.	9 %	Midland Bank	9 %
Banque du Rhone	9½%	■ Samuel Montagu	9 %
Barclays Bank	9 %	■ Morgan Grenfell	9 %
Barnett Christie Ltd.	9½%	National Westminster	9 %
Bremar Holdings Ltd.	10 %	Norwich General Trust	9 %
Brit. Bank of Mid. East	9 %	P. S. Refson & Co.	9 %
■ Brown Shipley	9 %	Rossminster Accept'es	9 %
Canada Perm't Trust	9 %	Royal Bk. Canada Trust	9 %
Capitol C & C Fin. Ltd.	9 %	Schlesinger Limited	9 %
Cayzer Ltd.	9 %	E. S. Schwab	10½%
Cedar Holdings	9½%	Security Trust Co. Ltd.	10 %
■ Charterhouse Japhet	9 %	Shenley Trust	11 %
Choulartons	9 %	Standard Chartered	9 %
C. E. Coates	10 %	Trade Dev. Bank	9 %
Consolidated Credits	7½%	Trustee Savings Bank	9 %
Co-operative Bank *	9 %	Twentieth Century Bk.	10 %
Corinthian Securities	9 %	United Bank of Kuwait	9 %
Credit Lyonnais	9 %	Whiteaway Laidlaw	9½%
The Cyprus Popular Bk.	9 %	Williams & Glyn's	9 %
Duncan Lawrie	9 %	Yorkshire Bank	9 %
Eagil Trust	9 %		
English Transcont.	10 %		
First London Secs.	9 %		
First Nat. Fin. Corpn.	10 %		
First Nat. Secs. Ltd.	9½%		
■ Antony Gibbs	9 %		
Greyhound Guaranty	9 %		
Grindlays Bank ‡	9 %		
■ Guinness Mahon	9 %		
■ Hambros Bank	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6%, 1-month deposits 6¼%.
† 7-day deposits on sums of £10,000 and under 6%, up to £25,000 6¼% and over £25,000 6½%.
‡ Call deposits over £1,000 6%.
§ Demand deposits 6¼%.
¶ Rate also applies to Sterling Ind. Secs.

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♦ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. ⌀ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

BUILDING SOCIETY INTEREST RATES

GREENWICH

(01-858 8212)
281 Greenwich High Road,
Greenwich, SE10 8NL.
*Deposit Rate 5.25. Share Accounts 5.60. Sub'pn. Shares 6.75. Term Shares 2 yrs. 2% above share rate, 3 yrs. 1% above share rate. Interest paid Quarterly on shares/term shares. Monthly Income share 5.60%.

LONDON GOLDHAWK

(01-995 8321)
15 17, Chiswick High Road,
London W4 2NG.
Deposit Rate 5.25. Share Accounts 5.75. Sub'pn. Shares 7.00.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1978 High	Low	Stock	£	+ or –	Yield Int.	Yield Red.
102¾	100⅞	Treasury 10½pc '78‡‡	100⅞	–1/32	10.48	8.77
99⅛	98⅝	Exch. 5pc '76-78‡‡	98 11/16	.....	5.06	8.63
105⅛	101 5/16	Treasury 11½pc '79‡‡	101⅜	.....	11.29	8.86
97	94¼	Treasury 3pc '79‡‡	94⅝	–⅛	3.16	7.18
97⅛	95⅛	Electric 4½pc '74-79	95 7/16	–⅛	4.45	7.91
104 3/16	100 1/16	Treasury 10½pc '79‡‡	100 1/16	–⅛	10.47	10.20
96½	94¼	Electric 3½pc '76-79	95⅜	–⅛	3.67	6.86
103⅛	97⅜	Treasury 9pc 1980‡‡	97⅜	–3/16	9.19	10.31
102 5/16	98 5/16	Treasury 9½pc '80‡‡	98 5/16	–3/16	9.61	10.17
95⅛	92⅝	Treasury 3½pc '77-80	93¼xd	–⅛	3.75	7.11
96½	94	Funding 5¼pc '78-80‡‡	94¼xd	–⅛	5.57	8.38
110¼	104 1/16	Exchequer 13pc 1980‡‡	104 1/16	–3/16	12.49	11.05
106¼	100 7/16	Treasury 11½pc 1981‡‡	100 7/16	–3/16	11.44	11.22
91⅝	88⅝	Treasury 3¼pc 1979-81	89	–⅛	3.93	8.09
101¼	97	Treasury 9¾pc 1981‡‡	97	–⅛	10.05	10.98
97 1/16	93 5/16	Exch. 8¼pc 1981	93 5/16	–⅛	8.84	10.91
100¼	95 5/16	Exch. 9½pc 1981	95 5/16	–⅛	9.97	11.28
87⅝	85⅜	Exch. 3pc 1981	85⅝	–⅛	3.49	8.05
96 11/16	96⅛	Treas. Variable '81%%	96 5/16xd	.....	9.27	10.02
111	103⅜	Exch. 12¾pc 1981‡‡	103⅜	–3/16	12.27	11.35
99⅛	92½	Treas. 8½pc '80-82‡‡	92½	–3/16	9.19	11.05
86⅝	83⅝	Treasury 3pc '82‡‡	83⅝	–¼	3.59	8.20
115⅝	107 3/16	Treasury 14pc '82‡‡	107 3/16	–½	13.02	11.46
96	95⅜	Treas. Variable '82%%	95¼	.....	6.78	10.26
96⅝	90	Treasury 8¼pc '82	90	–¼	9.17	11.37
100¼	93	Exch. 9¼pc 1982	93	–¼	9.95	11.32
94¼	93	Exch. 9¼pc 1982 A*	93	–⅛	9.95	11.34
96 5/16	90 5/16	Exch. 8¾pc 1983	90 5/16	–¼	9.63	11.35
85¼	80⅝	Exch. 3pc '83	80⅝	–⅛	3.73	8.07
114¼	102⅛	Treasury 12pc 1983‡‡	102⅛	–⅛	11.75	11.38

Five to Fifteen Years

1978 High	Low	Stock	£	+ or –	Yield Int.	Yield Red.
100½	95⅛	Treasury 9½pc '83	95⅛	–¼	10.05	11.34
89⅝	83⅝	Funding 5½pc '82-84‡‡	83⅝	–¼	6.74	9.83
96⅛	91⅛	Treasury 8½pc '84-86‡‡	91⅛	–¼	9.68	10.78
87⅜	78⅜	Funding 6½pc '85-87‡‡	78⅜	–¼	8.35	10.36
89⅝	82¼	Treasury 7¾pc '85-88‡‡	82⅜	–¼	9.66	11.14
68⅜	61	Transport 3pc '78-88	61xd	–⅛	4.90	8.90
75⅝	65¼	Treasury 5pc '86-89	65¼	–⅛	7.74	10.36
115¼	107⅛	Treasury 13pc 1990‡‡	108	–⅛	12.60	12.47
89¼	78½	Treasury 8¼pc '87-90‡‡	78½xd	–⅛	10.46	11.55
106½	99⅛	Treasury 11¾pc 1991	99⅛	–⅛	12.42	12.61
75¼	64⅜	Funding 5¾pc '87-91‡‡	64⅜	–⅛	9.06	11.16
112⅛	103¼	Treasury 12¾pc '92‡‡	104½	–⅛	12.75	12.74
96⅜	85½	Treasury 10pc 1992	86⅞	–⅛	11.88	12.42
113	99	Exch. 12¼pc '92	99⅞	–⅛	12.67	12.75

Over Fifteen Years

1978 High	Low	Stock	£	+ or –	Yield Int.	Yield Red.
110⅝	101	Treasury 12½pc '93‡‡	102¼	–⅛	12.75	12.79
72⅜	61¼	Funding 6pc 1993‡‡	61¼	–½	9.92	11.55
120¼	105⅜	Treasury 13¾pc 1993‡‡	105⅜	–⅛	13.05	12.93
128⅞	113½	Treasury 14½pc '94‡‡	113½	–⅛	13.20	12.99
114⅛	100¼	Exch. 12½pc 1994	100¾	–⅛	12.83	12.88
89⅞	77¼	Treasury 9pc '94‡‡	77¼	–⅛	11.63	12.21
106¼	98¼	Treasury 12pc '95	98⅝	–⅛	12.70	12.80
51⅞	44	Gas 3pc '90-95	44	–⅛	6.86	9.93
95	85¼	Exch. 10¼pc 1995	86½	–⅛	12.28	12.62
114⅛	99½	Treasury 12¾pc '95‡‡	99¾	–⅛	12.85	12.85
90½	77⅞	Treasury 9pc '92-96‡‡	77⅞	–⅛	11.85	12.36
131½	115⅝	Treasury 15¼pc '96‡‡	115⅝	–⅛	13.32	13.13
117⅝	102⅜	Exchequer 13¼pc '96‡‡	102¼	–⅛	12.97	12.93
50	43⅛	Redemption 3pc 1986-96	43⅛	–⅛	7.04	9.79
115¼	106½	Treasury 13¾pc '97‡‡	106¼	–⅛	12.98	12.94
98⅜	86½	Exchequer 10½pc 1997	87¼	–⅛	12.44	12.69
88¼	75⅜	Treasury 8¾pc 1997‡‡	75⅞	–⅛	11.87	12.34
72¼	61	Treasury 6¾pc '95-98‡‡	61	–⅛	11.17	12.01
135¼	119¼	Treas. 15½pc '98‡‡	119⅜	–⅛	13.28	13.10
65	63⅛	Exch. 12pc '98 (£65 pd.)	63⅛	–⅛	12.82	12.99
90½	82⅛	Treasury 9½pc 1999‡‡	82⅛	–⅛	12.09	12.39
96¼	84	Treasury 10½pc 1999	84⅜	–⅛	12.50	12.69
42½	36¼	Funding 3½pc '99-04	36¼	–⅛	9.68	11.14
80⅞	68⅝	Treasury 8pc '02-06‡‡	68⅝	–⅛	11.87	12.08
58⅝	48½	Treasury 5½pc '08-12‡‡	48½	–⅛	11.64	11.88
76⅛	67⅜	Treasury 7¾pc '12-15‡‡	67⅜	–⅛	11.93	12.01

Undated

1978 High	Low	Stock	£	+ or –	Yield Int.	Yield Red.
37⅜	33	Consols 4pc	33	.....	12.62	—
37⅜	30¼	War Loan 3½pc‡‡	30¼xd	–⅛	11.58	—
39¼	33	Conv. 3½pc '61 Aft.	34¼	–⅛	10.39	—
28⅞	24	Treasury 3pc '66 Aft.	24	.....	12.74	—
24⅛	20¼	Consols 2½pc	20¼	.....	12.27	—
24	20	Treasury 2½pc	20	.....	12.76	—

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

AMERICANS—Continued

S.E. List Premium 45⅞% (based on US$1.8167 per £)

Conversion factor 0.6847 (0.6807)

CANADIANS

S.E. List Premium 45⅞% (based on $2.0226 per £)

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[illegible]

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[illegible]

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[illegible]

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FAR WEST RAND

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O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

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INSURANCE

[illegible]

MINES—Continued

CENTRAL AFRICAN

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
210	155	Falcon Rh.50c	180	+5	Q50c	1.3	23.7
24	15	Rhod'n Corp. 16½p.	15	......	0.56	7.1	5.7
80	52	Roan Cons. K4	80	+5	—	—	—
175	122	Tanganyika 50p	173	−2	Q11.0	1.1	6.4
85	78	Do. Pref. 80p	85	......	Q9%	16.4	8.5
41	32	Wankie Col. Rh.1	35	......	†Q7½c	1.4	18.3
16½	10	Zam.Cpr.SBD0.24	16½	+½	—	—	—

AUSTRALIAN

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
15	10	Acmex 25c	15	......	—	—	—
132	64	Bougainville 50 Toea	130	−2	Q8c	1.4	3.8
101	63	BH South 50c	100	−1	—	—	—
245	148	Conzinc Riotinto 50c	245	+1	Q10c	2.2	2.5
72	48	G.M. Kalgoorlie $1	53	−2	—	—	—
138	81	Hampton Areas 5p	131	−3	1.45	4.1	1.7
40	10	Metals Ex. 50c	39	−1	—	—	—
215	125	M.I.M. Hldgs. 50c	214	−1	Q9c	1.7	2.5
32	10	Mount Lyell 25c	32	......	—	—	—
6½	1½	Newmetal 10c	5¼	+¼	—	—	—
118	79	North B. Hill 50c	118	+2	Q8c	1.5	4.2
14½	8½	Nth. Kalgurli	14½	......	—	—	—
156	117	Oakbridge $A1	152	......	†Q11c	1.9	4.5
48	30	Pacific Copper	48	+1	—	—	—
£13¾	750	Pancont 25c	£13½	−¼	—	—	—
30	12	Paringa M&Ex.5p	29½	+½	—	—	—
510	310	Peko-Wallsend 50c	510	+15	Q15c	4.0	1.8
136	64	Westn. Mining 50c	126	−4	‡Q6c	1.4	‡
70	35	Whim Creek 20c	65	......	—	—	—

TINS

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
30	24	Amal. Nigeria	26	......	†2.51	1.6	14.6
360	240	Ayer Hitam $M1	360	......	‡Q41¼c	0.9	‡
60	45	Beralt Tin	56	−1	3.75	4.4	10.6
290	200	Berjuntai $M1	290	......	‡Q110c	ϕ	‡
145	111	Geevor	140	−2	h4.51	3.4	4.9
10	8½	Gold & Base 12½p	10	......	—	—	—
290	220	Gopeng Cons.	290	......	15.0	0.9	7.9
165	130	Hongkong	165	......	—	—	—
93	78	Idris 10p	88	......	12.0	1.6	21.8
11	10	Jantar 12½p	10½	−½	—	—	—
73	68	Kamunting $M0.50	68	......	ZQ15.5c	0.7	4.9
490	450	Killinghall	480	......	Q125	ϕ	26.0
400	280	Malay Dredging $M1	400	......	†Q95c	0.8	5.1
68	40	♦Pahang	68	+2	‡Q3.75c	0.5	‡
62	50	Pengkalen 10p	62	......	6.5	1.3	15.9
210	165	Petaling $M1	210	......	‡Q12½c	10.9	1.3
61	49	Saint Piran	54	......	g1.99	4.6	5.6
61	47	South Crofty 10p	57	......	b4.13	1.5	11.0
205	140	South Kinta $M0.50	205	......	†Q77.5c	1.4	8.2
305	230	Sthn Malayan $M1	305	......	†Q131.5c	1.1	9.2
208	134	Sungei Besi $M1	208	......	—	—	—
75	55	Supreme Corp $M1	75	......	ZQ10c	—	2.9
100	85	Tanjong 15p	92	......	6.5	ϕ	10.7
100	74	Tongkah Hrbr. $M1	100	......	Q42½%	1.6	12.2
220	148	Tronoh $M1	217	−3	ZQ88c	1.6	8.7

COPPER

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
99	70	Messina R0.50	98	−1	‡Q30c	1.9	‡

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
17	9	Burma Mines 17½p	16	......	—	—	—
300	220	Cons. Murch. 10c	240	......	Q30c	2.6	7.5
390	245	Northgate C$1	390	+40	—	—	—
222	164	R.T.Z.	222	......	9.5	2.8	6.5
46½	30	Sabina Inds. C$1	39	−1	—	—	—
£11¼	750	Tara Exptn. $1	£11¼	+¼	—	—	—
45	43	Tehidy Minerals 10p	45	......	1.33	ϕ	4.5
167	120	Yukon Cons. C$1	165	......	Q7c	2.9	2.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ♠ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 42.

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	23	......
Ash Spinning	45	......
Bertam	22	......
Bdg'wtr. Est. 50p	270	......
Clover Croft	22	......
Craig & Rose £1	420	......
Dyson (R. A.) A.	34	......
Ellis & McHdy.	62	......
Evans Fr'k. 10p	57#	......
Evered	16½	......
Fife Forge	50	......
Finlay Pkg. 5p	24	......
Graig Ship. £1	145	......
Higsons Brew	82	......
I.O.M. Stm. £1	150	......
Holt (Jos.) 25p	265	+2
N'thn. Goldsmith	55	......
Pearce (C. H.)	155	......
Peel Mills	20	......
Sheffield Brick	44xd	......
Sheff. Refrshmt.	52	......
Sindall (Wm.)	85	......

IRISH

Conv. 9% '80/82	£98¾	−⅜
Alliance Gas	73	+5
Arnott	340	......
Carroll (P.J.)	92	......
Clondalkin	98	+5
Concrete Prods.	130	......
Heiton (Hldgs.)	41	......
Ins. Corp.	148	......
Irish Ropes	120	......
Jacob	78	+3
Sunbeam	29½	−3½
T.M.G.	165	−5
Unidare	90	......

OPTIONS
3-month Call Rates

Industrials					
A. Brew	6½	I.C.I.	20	Tube Invest.	30
A.P. Cement	18	"Imps"	6	Unilever	35
B.S.R.	9	I.C.L.	20	Utd. Drapery	7½
Babcock	11	Inveresk	8	Vickers	15
Barclays Bank	25	KCA	3	Woolworths	5
Beecham	35	Ladbroke	17	**Property**	
Boots Drug	15	Legal & Gen.	14	Brit. Land	3¼
Bowaters	16	Lex Service	7	Cap. Counties	4½
B.A.T.	24	Lloyds Bank	22	E.P.	5
British Oxygen	6	"Lofs"	4	Intereuropean	4
Brown (J.)	20	London Brick	5	Land Secs.	16
Burton 'A'	12	Lonrho	5	MEPC	12
Cadburys	5	Lucas Inds.	25	Peachey	8
Courtaulds	10	Lyons (J.)	10	Samuel Props.	9
Debenhams	8	"Mams"	7	Town & City	1¼
Distillers	15	Mrks. & Spncr	10	**Oils**	
Dunlop	7	Midland Bank	25	Brit. Petroleum	45
Eagle Star	11	N.E.I.	12	Burmah Oil	5
E.M.I.	14	Nat. West. Bank	22	Charterhall	3
Gen. Accident	17	Do. Warrants	10	Shell	28
Gen. Electric	18	P & O Dfd.	8	Ultramar	20
Glaxo	40	Plessey	8	**Mines**	
Grand Met.	9	R.H.M.	5	Charter Cons.	12
G.U.S. 'A'	20	Rank Org. 'A'	18	Cons. Gold	14
Guardian	18	Reed Intnl.	12	Rio T. Zinc	16
G.K.N.	22	Spillers	3		
Hawker Sidd.	20	Tesco	4		
House of Fraser	12	Thorn	22		
		Trust Houses	15		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Wednesday May 31 1978

ICI German plant obtains go-ahead

BY KEVIN DONE, CHEMICALS CORRESPONDENT

IMPERIAL CHEMICAL INDUSTRIES has been given the go-ahead for its £200m plan to develop a chemicals plant in northern Germany.

It is also taking over an existing chemicals producer at the Wilhelmshaven site, Alusuisse Atlantik, in order to build up an immediate presence in the West German chlorine and caustic soda markets.

ICI is engaged in a big strategic move into West European markets through a parallel investment of some £340m at Wilhelmshaven and on Teesside in the U.K.

The company said yesterday that it has reached formal agreement with the Lower Saxony regional government to buy a 790-acre site at Wilhelmshaven for a chlor-alkali chemicals plant.

This will involve the development of brine fields and the production of chlorine and caustic soda. The chlorine will be used at the site for the manufacture of vinyl chloride monomer (VCM) and polyvinyl chloride (PVC). VCM is the raw material for the manufacture of PVC, one of the most widely used commodity plastics in Western Europe.

The project includes the building of marine terminals to handle VCM, ethylene and other intermediate chemicals.

Despite the current over-capacity for some plastics in Western Europe, ICI believes there are prospects for steady growth in the markets for chlorine and related products and that new capacity will be needed in the early 1980s.

Building plans

It plans to build 300,000 tonnes a year of VCM capacity at Wilhelmshaven and a 115,000-tonnes-a-year PVC plant. Its present VCM capacity in the UK is 340,000 tonnes a year with 270,000 tonnes a year for PVC, but the company now intends to build up its business in Continental Europe through local manufacture.

ICI's chlorine capacity in the UK is 1m tonnes a year. With the acquisition of Alusuisse Atlantik it is obtaining an extra 110,000 tonnes a year chlorine capacity on the Continent. Eventually it will need to build another chlorine plant at Wilhalmshaven to feed the VCM plant, but this new world-scale plant will only follow at a later date.

Work at the Wilhelmshaven site will begin this summer and it is hoped to bring the plants on stream in 1980.

Alusuisse Atlantik has been taken over from Lonza, a subsidiary of Alusuisse, the Swiss aluminium group. No price has been disclosed, but the Swiss company is known to have been concerned at the "unsatisfactory profits" of its subsidiary. It showed a loss last year with turnover dropping by some 10 per cent.

The plant employs more than 100 people. ICI intends to develop the existing business as well as using part of the production for its new plants.

Under ICI's parallel expansion in the UK a 55,000 tonnes a year PVC plant is being built at Hillhouse on Merseyside to come on stream next year. And at Teesside £140m has been sanctioned to boost chlorine capacity by 170,000 tonnes a year and VCM by 150,000 tonnes a year.

Other major ICI sites on the Continent are at Rozenburg in Holland and at Fos in France, which form part of the company's thrust to increase sales in the EEC, partly by local manufacture and partly by exports.

Japanese-EEC trade gap may be narrowing

BY CHARLES SMITH — TOKYO, May 30.

THE PROBLEM of Japan's trade surplus with the EEC may at long last be growing less acute, judging by the figures for the first four months of this year.

The figures, by the Japanese Ministry of Finance, show Japan's exports to the EEC rising in dollar terms by 16.9 per cent to $3.119bn (£1.7bn) and her imports from the EEC increasing by 37 per cent to $1.745bn.

The resultant deficit, on the Japanese Customs clearance basis, which overstates value of imports by including freight and insurance, is $1.374bn, or a marginal 1.5 per cent less than the EEC deficit in the first four months of 1977.

Japan is making much of the figures, claimed to reveal the first turnround in the EEC-Japanese relationship since the bilateral imbalance began early in 1976, causing serious friction.

European comment is more guarded, though it is admitted that the figures may reveal the first signs of a trend toward a better balance.

A point which immediately draws attention about the Japanese figures is that they are expressed in dollars, and thus tend, because of the depreciation of the dollar against the yen in the past year, to overstate the increases in trade in both directions between Japan and the EEC as measured in each other's currencies.

Fall possible

A 16.9 per cent rise in the value of Japan's exports to the EEC in dollar terms could correspond to an actual fall, or at least to a very modest rise, in yen-denominated exports.

This would be in line with known efforts on the part of Japan to restrain exports to Europe of important items such as steel, cars, ships and colour television sets under guidelines set in the past few months.

The yen-denominated figure for Japanese exports to the UK seems likely to show a particularly sharp fall, given that in dollar terms exports to Britain were up only 2.9 per cent.

Details, Page 7

THE LEX COLUMN

Swan scheme goes into dry dock

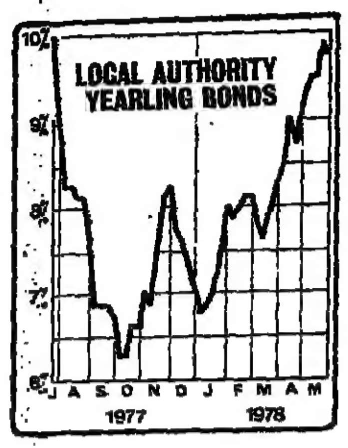
Seven months after its plans for a capital reconstruction and cash distribution were sketched out in the annual report, Swan Hunter reports in its interim statement that the scheme is to be held up for an unspecified period. The shares responded with a 12p fall to 132p yesterday.

The reason for the delay is that the North Shields ship-repair yard, which is an important part of the trading assets left to the group after the nationalisation of its shipbuilding side, is facing a severe shortage of work.

This poses a problem for Swan Hunter's reconstruction plans. These, it appears, involve the liquidation of the parent company, Swan Hunter Group, followed by a distribution to shareholders of shares in the continuing business and the surplus cash. As a result, the cash will be subject to capital gains tax rather than income-tax. Even before the shipbuilding compensation is settled, there are substantial liquid funds already available for distribution—possibly something approaching £20m, or roughly 100p per share. However, some difficult decisions have to be made about the future shape of the labour intensive ship-repairing business, and Swan Hunter clearly wants to resolve those before it starts making cash handouts to shareholders. It also wants to be sure that the new quoted company will be viable.

So there could be a delay of several months or more before the plans are put to shareholders. The eventual sums may still look about the same—a cash distribution (including nationalisation proceeds) of something in the rough order of 150p per share before tax, plus a share in a business which at present is not making trading profits. Given uncertainties about the timing, the present share price looks about right.

Index fell 3.6 to 472.5



Northern Foods

Whatever the future of dividend controls, Northern Foods seems confident that its 69 per cent proposed dividend increase will not be affected. The reason appears to be a proposal to place most of the 8m Northern shares which will be due to the Samworth family as a result of the Pork Farms acquisition. Contrary to earlier expectations that this would be done directly it is now suggested that the family will take up all the entitlement, and arrange a placing itself. There may be good tax reasons for this, but Northern Foods hopes that the dividend hoist will make the share alternative more attractive to the Samworths, and indeed everyone else.

Car Leasing

Harold Perry's disclosure that the Inland Revenue is challenging the company's claim for 100 per cent first year allowances on leased passengers cars came too late yesterday to have any effect on motor distributors' shares. It is not yet clear what the Revenue is basing its case on, but it looks ominous for the sector where business in car leasing has mushroomed in the past two years or so.

Car leasing became particularly attractive following a decision by the Special Tax Commissioners in July 1975 that motor cars leased out to companies could qualify for 100 per cent capital allowances, as against 25 per cent per annum previously. The decision also meant that unlike owned cars—where there is a restriction on an annual write-off of £1,250—there would be no restriction on the amount of an annual leasing charge which lessee companies could deduct in establishing taxable profits.

The subsequent boom in car leasing owes almost everything to this case, which hinged on whether leased cars fell within the 1971 Finance Act definition of vehicles "provided wholly or mainly for hire to, or the carriage of, members of the public in the ordinary course of trade." The opportunities which it offers for considerable tax avoidance have also attracted more than a fair share of d[...]ful schemes.

Surprisingly, the last b[...] contained no measures to [...]late the area more closely [...] it may now be that the I[...] Revenue has decided to [...] car leasing schemes quali[...] for 100 per cent allow[...] under tighter control. If t[...] so, it would seem reasonab[...] conclude that it would c[...] its battle ground very care[...] However, Harold Perry has [...] advised that the Revenue is [...] likely to succeed" here. A[...] is to continue leasing cars.

Local authorities

For the first time in [...] weeks the coupon on the w[...] issue of so-called "year[...] local authority bonds fell [...]terday. Given the calmer [...]ditions now prevailing in [...] money markets this was no [...] surprise but what is sli[...] surprising is the conti[...] demand by local authoriti[...] five year money on a fi[...] rate basis.

For a time last year it lo[...] as if the authorities w[...] make big use of floating [...] issues in the corporation [...] market to meet their fu[...] requirements. In fact, clo[...] a dozen authorities did [...] five year money at margi[...] generally ½ of a perce[...] point over interbank [...] However, they had to quer[...] at the Bank of England [...] with all the other autho[...] and when the banks came [...] with much more flexible [...] longer term money, the au[...]ties deserted en masse.

Why then are local au[...]ties now raising five year [...] at margins of ½ of a perce[...] point over the interbank [...] in the negotiable bond ma[...] The answer seems to be t[...] is very much cheaper. In [...] corporation stock mark[...] local authority has to pay [...] a full prospectus or offer [...] sale. Not so in the negot[...] bond market where the [...] is placed much more ch[...] directly with institutions.

If they were allowed to [...] the local authorities would [...] to issue much more of [...] debt by way of private p[...]ment but the Bank of Eng[...] insists that no more than [...] can be placed at any one [...] Consequently, the local aut[...]ties are now side-stepping [...] stock market and re[...] increasingly on the b[...] Sooner or later the Ban[...] England and the [...] Exchange will have to ack[...]ledge this fact of life [...] change the ground rules.

French court puts three receivers into Boussac

BY DAVID CURRY — PARIS, May 30.

A TEAM of receivers has been put into France's Boussac textile empire, which is losing Fr 10m (£1.2m) a month. The Paris commercial court took the step following the group's admission that it could not meet its May wage bill and social security payments.

The three court-appointed managers will now have the task of working out a debt rescheduling and repayment programme with creditors, and a plan to permit the survival of at least part of the group, whose textile interests are spread over 21 companies.

The new régime imposed on the company, which finally excludes the Boussac family from management, is a half-way house between the three-month extension of legal action against the group by creditors, granted by the court last week, and a final step of filing for bankruptcy.

Decisive

The receivers will have to decide how to raise the money to settle with creditors and to meet current costs, and it is difficult to see how they can avoid disposing of at least some of the group's saleable assets.

One line of approach will remain the attempt to persuade M. Marcel Boussac, the 89-year-old founder of the group, to commit more of his personal fortune to the company.

Another will depend on the Government's readiness to provide financial underpinning for the group now that the decisive step of bringing its affairs totally under court control has been taken.

The receivers may press ahead with the factory closure programme in the Vosges, in North-East France, where the group's manufacturing capacity is concentrated.

The company unveiled a plan to reduce jobs in this region by about 1,500 shortly before the court first intervened last week.

The best that seems to be hoped for is that the Government would accord priority to the region in its plans for industrial conversion.

Bonn surplus higher in first four months

BY JONATHAN CARR — BONN, May 30.

WEST GERMANY had a larger trade and current account surplus in the first four months of this year than in the same period of 1977.

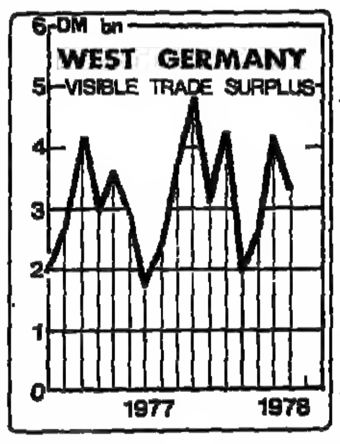
Figures today by the Federal Statistical Office in Bonn show the January-April trade surplus at DM 11.9bn (£3.1m), against DM 11.8bn a year earlier. Figures for the first quarter had shown the trade surplus slightly lower than in 1977.

The January-April current account surplus, after allowing for deficits on services and transfers, is well above that for the same period last year, DM 4.8bn against DM 3.4bn.

The April figures alone show a DM 3.3bn trade surplus and a DM 1.7bn current account surplus. A year before they were DM 2.9bn and DM 900m respectively.

The trend of West German trade and payments is bound to be scrutinised with more than usual care abroad in view of the Western economic summit conference here in July. The figures so far are likely to be seen as support for the views of those who feel Bonn should try to do more to stimulate demand at home and increase imports.

The German answer has been that the rise of the D-mark was bound to lead to an increase, in the medium term, in the trade surplus expressed in terms of West German currency.



But in the longer run the price competitiveness of West German exports on foreign markets will be weakened.

Further, it is said that the increase in German imports in real volume terms in the last few years has been far higher than the increase in exports expressed in the same way.

None of this alters the fact of foreign pressure, and the desire of the German hosts that the July summit conference be a success. The door is being kept open for further measures of economic stimulation, but the timing and extent have yet to be settled.

Semi-conductor blow to GEC

BY MAX WILKINSON

A PLAN by the National Enterprise Board to become a world leader in the semi-conductor industry has been greeted with a mixture of alarm and disbelief by the UK companies with which it will be competing.

The plan is in particular a blow to the General Electric Company which is on the point of a decision on whether to move into mass production of semi-conductors through acquisition of a U.S. company, or possibly a joint venture with one of the established leaders in the industry.

In the last year, GEC has abandoned its former aloofness from the semi-conductor industry because it realises that production of microscopic electronics is becoming a key to success in many other fields such as telecommunications and defence equipment.

If it goes ahead with the idea, GEC may find itself in competition with a plant set up by the Enterprise Board with taxpayers' money.

The Board received Cabinet approval last week to spend about £30m, rising to perhaps £50m over a period, to set up a subsidiary to make semi-conductors. The intention is to move straight into mass production of the most advanced computer memories. By the end of the decade, tiny silicon chips containing 64,000 memory cells will have been developed by Japanese and American companies.

The board intends to bring together a team of top designers and engineers, some of them expatriate Britons working in the U.S., to jump straight into the 64,000-element memory market.

The main uncertainty about the venture is whether the new subsidiary will be able to achieve big enough sales in the U.S. to make mass production of the circuits economically feasible.

Although the Enterprise Board is hoping its new subsidiary will make good profits eventually some observers believe it may have to be subsidised for a substantial period.

The only UK production of mass-produced computer memories at present is at ITT's plant in Foots Cray, Kent.

One possible plan considered by Government officials was to provide incentives to ITT and perhaps to Mullard, the Philips subsidiary, to increase and develop production for world markets.

The enterprise board appears to have cut straight across this idea with a plan for a completely new company starting from scratch.

Industry executives who have been in close consultation with Government officials about the future of semi-conductor manufacture apparently knew nothing about the enterprise board's plans until this weekend.

Initial reaction has been muted, but there is profound scepticism within the industry about whether the enterprise board can pull off such a entrepreneurial coup. If it should fail, UK-based private industry will face additional competition from a State-subsidised loss-maker, in addition to their competitors overseas.

● Confirming the Board's plans last night Sir Leslie Murphy, NEB chairman, told an international conference of petroleum investment analysts in London: "Importing all these sophisticated products and exporting all the unsophisticated ones is not the ideal situation."

News Analysis, Page 8

European Ministers fail to agree on energy package

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT — BRUSSELS, May 30.

ATTEMPTS TO secure approval of a package of EEC energy measures in advance of the seven-nation Western economic summit in Bonn in July broke down this evening in the face of deep disagreements between Common Market Governments.

The principal cause of the failure was the inability of EEC Energy Ministers to reconcile British and German demands for a £200m three year subsidy scheme to encourage the use of EEC-produced coal in power stations, with Italian and French demands for EEC aid for the closure of excess oil refinery capacity.

Italy, which is saddled with a particularly acute problem of over-capacity, said that it would approve the coal subsidy scheme only if an equal sum were allocated to help the refinery sector. But this demand was dismissed as excessive by both Britain and Germany.

Mr. Anthony Wedgwood Benn, UK Energy Minister, also opposed the refinery scheme strongly on the grounds that it would involve a surrender of national control over North Sea oil policy to the Community. He was particularly against a proposal to limit new refinery construction until the problems in the sector had been resolved.

He refused to be swayed by assurances from the EEC Commission that the proposed ban would not affect the two British refinery projects on Canvey Island and at Nigg Bay, and that compliance with other elements of the scheme would be entirely voluntary. These would mainly entail regular reporting to Brussels by oil companies on their refinery throughput.

Mr. Benn expressed disappointment at the energy council's continued failure to adopt the steam coal subsidy scheme, which he has been pressing for more than a year.

It would provide a £7 per tonne subsidy for EEC-produced coal, which at present accounts for only about 3.5m. tonnes of the more than 25m tonnes burned in Community power stations each year.

Agreement on the proposal was made even more difficult by Germany's demand that it be given a special rate of subsidy to reflect the high production costs in its mines. The German delegation also wanted to expand an existing programme for EEC financing of coking coal.

The only elements in the five-point programme before them on which Ministers were able to agree were two projects for research into energy saving and the development of alternative energy sources.

Steel makers fined £110,000

By Our Own Correspondent

BRUSSELS, May 30.

Fines totalling more than £110,000 have been imposed by the European Commission on five French and Italian steel producers for failing to comply with the EEC's steel price policy.

They are the first penalties to be imposed since the policy was introduced about a year ago. The heaviest fine, about £56,000, was imposed on Usinor, the large French company based in Dunkirk. It is alleged to have sold products at below the mandatory minimum prices set for reinforcing bars and coils.

Chambers to quit soya foods

BY DAVID CHURCHILL

BRITISH development of soya-based meat substitutes has been severely hit by the decision of the sole UK manufacturers of defatted soya flours used for human consumption to pull out of the market.

Chambers and Fargus of Hull, the only UK manufacturer of a range of defatted soya flours and meals, has decided to quit the £10m-a-year business, after developing sophisticated extraction processes, because of severe overseas competition.

Despite its technological advantage, the company says it is unable to compete on prices with producers in the U.S. and Brazil, which have substantial excess capacity.

In addition, Chambers believes that the growth in domestic demand for soya-based meat substitutes has been too slow to justify its investment in the market.

Since these meat substitutes were introduced into the UK in the early 1970s, only about one shopper in 10 has bought them.

But it is believed that the retail market is now beginning to pick up, to add to the widespread use of meat substitutes in the catering foods market.

Chambers' move follows closely on the decision last month by Courtaulds, another pioneer with its Kesp meat substitutes made from vegetable fibres, to sell its vegetable protein business to Dornay Foods, a division of the U.S. Mars food group.

Chambers plans to convert its extraction plant to handle other raw materials used for its main business of seed crushing and edible oil refining.

About 50 jobs are affected by the closure, although the company hopes to keep on as many workers as possible.

Development of soya-based meat substitutes in Britain has been along two main lines.

The first type, developed by such companies as Courtaulds, is to spin highly refined soya isolates in the same way as yarn to produce a "meat" substance.

The other process is to develop defatted soya flour under pressure at high temperatures.

Chambers is mainly concerned with this latter process although a small part of its output was used by Courtaulds.

Continued from Page 1

Carter

movement in the eastern position sufficient to hold out the prospect of real progress."

Mr. Bulent Ecevit, Turkish Prime Minister and honorary president at today's talks, said NATO had not been effective in spreading moral values and democracy beyond the boundaries of its member countries. The alliance should not try to impose its own values on others.

Our Foreign Staff adds: Pravda, the Soviet Communist Party newspaper, today attacked remarks made on Sunday by Mr. Zbigniew Brzezinski, President Carter's chief security adviser. Mr. Brzezinski said during a U.S. television interview that there should be an international response to Soviet and Cuban military activity in Africa.

Pravda said that the remarks were the latest attempt by the real perpetrators of an "invasion" in Zaire to fabricate stories about Soviet and Cuban involvement there. "There is no need to deny Brzezinski's inventions. The Soviet Union is not involved in events in Zaire . . . neither are there any Cuban soldiers or military experts in Zaire."

Weather

UK TODAY

DRY, sunny; cloudy later.

London, Cent. S. and Cent. N. England and W. Midlands
Dry, sun. Max. 24C (75F).
S.E. England, E. Anglia
Fog, dry. Max. 22C (72F).
E., N.W. and N.E. England, Lakes, Isle of Man, Borders, Edinburgh, Dundee, Aberdeen, S.W. Scotland, Glasgow
Dry, sun. Max. 24C (75F).
Channel I., S.W. England
Sun, perhaps showers later. Max. 20C-22C (68F-72F).
N. and S. Wales
Sun, perhaps showers later. Max. 24C (75F).
Cent. Highlands, Moray Firth
Sun, perhaps showers later. Max. 24C (75F).
N.E. Scotland, Orkney, Shetland
Dry, sun. Max. 18C (64F).
Argyll, N.W. Scotland
Dry, sun. Max. 20C (68F).
N. Ireland
Dry, sun. Max. 24C (75F).

BUSINESS CENTRES

	Y'day mid-day	°C	°F		Y'day mid-day	°C	°F
Amstrdm.	S	21	77	London	S	23	73
Athens	F	22	72	Luxembrg.	F	24	75
Barcelona	F	21	70	Madrid	F	19	66
Belfast	C	21	70	Manchstr.	S	23	73
Belgrade	F	18	64	Milan	S	24	75
Berlin	S	24	75	Moscow	C	16	61
Birmghm.	S	21	70	Munich	F	19	66
Bristol	S	23	73	Newcastle	S	13	55
Brussels	S	26	79	Oslo	S	25	77
Budapest	C	17	63	Paris	F	25	77
Cardiff	S	22	72	Prague	F	21	70
Cologne	F	24	75	Reykjavik	F	8	46
Copnhagn.	S	19	66	Rome	S	23	73
Dublin	F	20	68	Stockholm	S	24	75
Edinbrgh.	S	20	68	Strasbourg	F	24	75
Frankfurt	F	24	75	Tel Aviv	S	26	79
Geneva	S	21	70	Vienna	F	18	64
Glasgow	F	23	73	Warsaw	S	23	73
Helsinki	S	25	77	Zurich	S	23	73
Lisbon	S	21	70				

HOLIDAY RESORTS

	Y'day mid-day	°C	°F		Y'day mid-day	°C	°F
Ajaccio	R	21	70	Jersey	S	19	66
Algiers	S	22	72	Las Plms.	C	20	68
Biarritz	S	21	70	Locarno	F	23	73
Blackpool	S	24	75	Majorca	F	23	73
Bordeaux	S	24	75	Malaga	S	[illegible]	[illegible]
Boulogne	S	24	75	Malta	S	21	70
Casablnca.	F	21	70	Naples	S	22	72
Corfu	S	24	75	Nice	S	20	68
Dubrovnik	F	20	68	Nicosia	S	24	75
Faro	S	21	70	Oporto	C	16	61
Florence	F	23	73	Rhodes	S	24	75
Funchal	F	19	66	Salzburg	F	18	64
Gibraltar	F	19	66	Tangier	S	21	70
Guernsey	S	21	70	Tenerife	C	14	57
Innsbruck	F	16	61	Tunis	S	23	73
Inverness	S	18	64	Valencia	F	19	66
I. of Man	S	16	61	[illegible]	[illegible]	[illegible]	[illegible]
Istanbul	F	23	73				

C—Cloud. F—Fair. R—Rain. S—Sun.

Registered at the Post Office. Printed by St. Clement's Press for and published by the Financial Times Ltd., Bracken House, Cannon Street, London EC4P 4BY.